Pinjarra Community Financial Services Limited

ABN 31 097 389 547

2018 Annual Report

Pinjarra **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2018

On behalf of the Pinjarra Community Financial Services Limited Board I would like to present the Chairman's report of the Pinjarra **Community Bank**® Branch performance and activities for the 2017/18 financial year.

When I signed off on last year's report, with the comment I am sure that 2017/18 will be a year of challenge and expectation, little did we realise what enormous challenges the industry would face.

Whilst the Royal Commission into misconduct in the Banking, Superannuation and Financial Services Industry has exposed some serious flaws, I am confident the actions of our branch team are transparent and customer driven, reflecting the values of Bendigo Bank. In fact, a survey carried out to identify the 10 most trusted brands in Australia, ranked the Bendigo Bank third. It is interesting to note that no other financial institution was named in the top 10.

This result, I am sure, was achieved through the Bendigo Bank culture of customer service and delivery of what we promise. Our Manager, Karien Barr, is very conscious of customer service and accountability, which is evidenced by the results of our company.

I am happy to announce that our financial position at the 30 June 2018 shows an after tax profit of $55,442.

The branch team remains our greatest asset, and I would like to thank the dedicated staff members for their professionalism, enthusiasm and commitment to providing high levels of customer service, which has seen the Pinjarra **Community Bank**® Branch being named Branch of the Month for the South West Region, three times in the last financial year, and also, at the Annual Awards, won the Loansure award as a result of having the highest percentage of insured lending in the State. A great achievement indeed when one considers the number of branches involved and the fact that our branch is not one of the larger **Community Bank**® branches in Western Australia.

Our Marketing Chair, Sarah Perryer, and her committee have worked extremely hard to promote our brand and create ongoing interaction with the beneficiaries of grants and donations. This initiative has resulted in the Pinjarra **Community Bank**® Branch logo being more visible within the community and the beneficiaries becoming more involved with the promotion of the branch.

Some of the projects which have benefitted from the company's marketing budget this year are:

- The provision of shade sails at the Ravenswood Children's Playground
- Installation of two radar screen displays for the South Yunderup Residents & Ratepayers Association
- Sponsorship of the Dwellingup Pumpkin Festival
- Sponsorship of an Honours Board for the Pinjarra Swimming Club
- Provision of practice cricket nets and flooring for the Coolup Progress Association
- Repairs and construction of safer cattle pens for the Waroona Agricultural Society
- Costs for story boards and printing for the Murray Districts Historical Society.

These are, of course, only a few of the grants made this year, but serve as an example of the diversity of projects and the wide range of communities within our region which have received our assistance.

In total, we have contributed $62,894 to the community this year.

I am extremely happy to report that, even in a highly competitive environment we have again paid a fully franked dividend. This year we were able to reward our shareholders with a dividend of seven cents per share, which is 40% higher than in previous years.

Chairman's report (continued)

The 2017/18 financial year has also brought about changes to the Board of Directors of Pinjarra Community Financial Services Limited.

It was with great regret that the Board accepted the resignation of three Directors, Fiona Bell, Iggy Mathew and Xiwen Yow, all of whom have been valued members of the Board. I would like to acknowledge Fiona Bell's contribution to our marketing success by instigating a high profile marketing strategy. Although we will miss their involvement, we extend our very best wishes for their futures and thank them for their untiring contributions to the company.

I am sure you are aware that all of our Board members volunteer their time and expertise to the company which constitutes a significant portion of their personal lives. I thank them sincerely for the support and commitment they have given, both to me, in my role as Chairman, and to the company as an entity.

Lastly, I would like to thank you, our shareholders, for your ongoing support.

The **Community Bank®** branch is under the guidance of a strong and committed Board to take it forward into the 2018/19 financial year which, I am sure, will again present challenges as the industry recovers from a period of low growth. I have every confidence that the Board, Karien, and her excellent team will meet head-on and surmount any obstacle or challenge standing in their way.

E. A. Hiddlestone

Ernest Hiddlestone
Chairman

Manager's report

For year ending 30 June 2018

Once again Pinjarra **Community Bank**® Branch had a strong year contributing $62,894 to the community.

We have worked very hard in creating a successful new partnership program to enable us to create a strong presence in the local community.

Over the past 12 months the team has been involved in many community events spreading the message that we are indeed **Bigger than a bank** and community focused.

The introduction of a Customer Relationship Manager at the branch has been very successful in achieving customer growth.

The team successfully managed to secure an award for being leaders in Personal Loansure Insurance sales across Western Australia which is a monumental achievement. This reiterates that we are very focused in protecting our customers by ensuring they hold adequate insurances.

Bendigo Bank was voted the third most trusted brand in Australia which is a significant achievement and one we are very proud of. We pride ourselves in being the most customer focused bank in Australia, after all we are **Bigger than a bank**.

Bendigo Bank also achieved the Mozo People's Choice Awards 2018. We received first place in Outstanding Customer Satisfaction, Most Recommended, Customer Satisfaction Everyday Banking. This was voted by everyday Australian's just like you.

We have been involved with multiple community events throughout the year and supported our local market and plan to continue doing so this coming year.

I look forward to another successful year within the Pinjarra community and wish my team all the best.

Karien Barr
Manager

Directors' report

For the financial year ended 30 June 2018

Your directors submit the financial statements of the company for the financial year ended 30 June 2018.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

Ernest Albert Hiddlestone
Chairman
Occupation: Retired
Qualifications, experience and expertise: Previously a primary school teacher for 37 years including Deputy Principal for 15 years. Has also been a self employed lawn mowing contractor. Treasurer for the Rotary Club of Kenwick (five years).
Special responsibilities: Board Chairman, Chairman Human Resources committee.
Interest in shares: 300

Michael Frank Kidd
Secretary
Occupation: Retired
Qualifications, experience and expertise: 40 years experience in senior Financial Management roles in England, Papua New Guinea and Australia in the private sector and Local and State Government.
Special responsibilities: Treasurer, Company Secretary, Chairman Finance and Audit Committee.
Interest in shares: Nil

Stephen Donald Lee
Director
Occupation: Retired/Deputy Shire President
Qualifications, experience and expertise: Deputy Shire President for the Shire of Murray. Retired Manager Administration and Finance, Education Department of Western Australia. President Peel Community Care Inc, Treasurer Lions Club of Pinjarra and Peel Trail Group Inc, Councillor Rivers Regional Council and Member Peel Harvey Catchment Council.
Special responsibilities: Member Finance and Audit committee, Member Premises committee.
Interest in shares: Nil

Laurance Ian Galloway
Director
Occupation: Company Director
Qualifications, experience and expertise: Business owner for over 40 years and a Rotary member for 27 years. Director of Pinjarra Auto Group and Galloway Engine Reconditioning.
Special responsibilities: Chairman Premises committee, Member Human Resources committee
Interest in shares: 2,000

Directors (continued)

Patrick Martin Cole
Director
Occupation: Community Development Officer (Youth)
Qualifications, experience and expertise: Previously employed as Senior Youth Officer, Youth Worker, Private Investigator, IT Lecturer and Actor/Scriptwriter. Heavily involved with the art, particularly in performance. Holds a Diploma of Counselling, Diploma of Community Services and Diploma of Project Management.
Special responsibilities: Member Human Resources committee, Member Marketing committee.
Interest in shares: Nil

Sarah Elizabeth Perryer
Director
Occupation: Process and Maintenance Coordinator
Qualifications, experience and expertise: Process and Maintenance Coordinator at Alcoa's Pinjarra Refinery. Commenced employment as a Chemical Engineer for five years before moving into a business improvement role for four years. Qualified Chemical Engineer and holds a Bachelor of Commerce (Finance). Experience in business improvement including strategic planning, problem solving along with constructive and creative thinking.
Special responsibilities: Member Marketing committee, Member Finance and Audit Committee.
Interest in shares: Nil

Donald Francis Repacholi
Director
Occupation: Retired
Qualifications, experience and expertise: National Sales and Marketing with Mercedes Benz (Aust) Pty Ltd. Holds a Certificate of Registration with the Real Estate Institute of Western Australia and Financial Planning Association Accreditation. Director Peel Zoo Foundation Pty Ltd, Chairman Ravenswood Community Group Inc and 'Rodoreda Heights' Survey Strata Plan.
Special responsibilities: Member Human Resources committee, Member Marketing committee.
Interest in shares: Nil

Xiwen Yow
Director (Resigned 31 March 2018)
Occupation: Business Improvement Specialist
Qualifications, experience and expertise: Bachelor of Commerce (majors in Managerial Accounting and Financial Accounting, minor in Business Law), Chartered Accountant. Previously a pubic practice accountant specialising in self managed superannuation funds and individual and small business tax structure. Commercial accountant specialising in business advisory. Proficient in the use of Excel, Word and Oracle systems and experience with MYOB and SimpleFund.
Special responsibilities: Member Finance and Audit committee.
Interest in shares: Nil

Iggy Matthew
Director (Resigned 24 October 2017)
Occupation: Construction and Maintenance Manager
Qualifications, experience and expertise: 18 years in the real estate industry in rentals management, strata management and residential sales. Three years management short term holiday accommodation. 12 years construction and maintenance manager for village of 70 buildings for not-for-profit organisation Fairbridge Western Australia Inc and three months as Acting Chief Executive Officer. Two years member of Tanunda Town Centre Committee in the Barossa Valley and organiser of the Pinjarra annual Rotary Long Lunch fundraiser.
Special responsibilities: Member Marketing Committee, Member Premises Committee.
Interest in shares: Nil

Directors (continued)

Fiona Jane Bell

Director (Resigned 24 October 2017)

Occupation: Communications Consultant

Qualifications, experience and expertise: Worked in Corporate Affairs for more than 17 years, which included nine years working in State Government Departments' Media and Corporate Affairs teams and eight years in the resource industry working in community and employee engagement.

Special responsibilities: Chairman Marketing Committee

Interest in shares: Nil

Directors were in office for this entire year unless otherwise stated.

No directors have material interests in contracts or proposed contracts with the company.

Company Secretary

The company secretary is Michael Frank Kidd. Michael was appointed to the position of secretary on 1 April 2015.

Mike has 40 years experience in senior Financial Management roles in England, Papua New Guinea and Australia. Experience in the private sector plus Local and State Government.

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank®** services under management rights to operate franchised branches of the Bendigo and Adelaide Bank Limited. The business model operates on the understanding that the Bendigo and Adelaide Bank Limited shares the margins and commissions on new and existing business that is generated by Pinjarra Community Financial Services Limited (PCFSL). This and other income from interest on bank accounts and some direct contributions from the Bendigo and Adelaide Bank Limited make up the income of the PCFSL. The PCFSL is responsible for the employment of the banking staff and the running of the business. Bendigo and Adelaide Bank Limited provides all of the banking and customer services, which by their nature are both technical and confidential. The Board and Directors of the PCFSL are barred by law from having any access to the day to day banking operations or to the details of any of the customer records.

The Board's key objective is to grow the business and generate annual profits out of which it is able to pay a reasonable return to its shareholders in the form of dividends, as well as stimulate, support and fund genuine community projects through marketing, sponsorship and donations. Community projects are identified under a number of different categories:

- Genuine projects which will provide a significant benefit to a specific sector of the community
- Community events which will attract significant attention from the public
- Community projects which need initial funding to enable them to develop a base from which to grow and attract local or state government or private sector funding
- Projects which are not commercial or profit motivated.

It is a stated intention of the Board that sponsorship and financial support of projects should be used to leverage the business growth opportunities of the PCFSL.

To 30 June 2018, the PCFSL has returned to its community through marketing, sponsorships and donations a total amount of $62,894.

Directors' report (continued)

Operating results

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was:

Year ended 30 June 2018 $	Year ended 30 June 2017 $
55,442	99,864

The profit of the company for the financial year, after provision for income tax, has decreased by 44.5% over the previous year. The 2017/2018 financial year has been very challenging with the market for banking products being extremely competitive, particularly for loans and Term Deposits. Despite all attempts by PCFSL to achieve growth in the overall banking business over the course of the year, it has not been possible and some banking business, particularly Term Deposits, has inevitably been lost to other banks. The loss of overall banking business during the year, amounting to $3.3m, combined with reduced margins available on some products, has resulted in a reduction in the Income for the year of $30,127. As explained above, it is from the base banking business that the PCFSL earns its income through margins and commissions which are shared with the Bendigo and Adelaide Bank under the franchise agreement. There has been an increase in expenditure compared to the previous year of 3.35%, amounting to $31,145. Much of the increase in expenditure can be attributed to increases in staff employment costs and to increases in the contributions made to Community projects. These increases have been to some extent offset by savings made in Administration expenditure and in a reduced provision for tax.

During the year, the Board made a decision to terminate the leases on the building in Waroona and also on the 7c George Street building (former Community Branch premises). Whilst the termination of these leases did not achieve savings in the current financial year, the decision will result in significant savings in rent payments in future years. The Board has continued to monitor and control expenditure in what has been an extremely challenging year for PCFSL and the banking industry in general. Despite the reduction in overall profit, the PCFSL has managed to increase its contributions to its Community by $11,400 compared to the previous year and has also increased the fully franked dividend paid to its shareholders from 5cents to 7cents.

	Year ended 30 June 2018		Year ended 30 June 2017	
	$	% age change	$	% age change
Income	1,037,127	(2.82%)	1,067,254	1.55%
Expenditure	(960,655)	(3.35%)	(929,510)	(3.62%)
Income tax	(21,030)	(44.48%)	(37,880)	12.10%
Profit after tax	**55,442**	**(44.48%)**	**99,864**	**(9.91%)**

Dividends paid or recommended

The Company declared and paid a fully franked dividend of 7 cents per share amounting to $27,591 during the year.

Financial position

The net assets of the Company have increased from $563,022 as at 30 June 2017 to $590,873 as at 30 June 2018. Cash and Cash Equivalents have increased from $436,063 in 2016/17 to $437,870 at 30 June 2018.

The company continues to have a strong balance sheet which will enable the Board to strengthen and consolidate its business model through prudent business decisions in the coming years.

Directors' report (continued)

Dividends

It is the Board's objective to pay to shareholders a reasonable return on their investment out of after tax profits, in the form of dividends.

The PCFSL has paid fully franked dividends out of profits after tax as follows:

30 June 2013	5 cents per share
30 June 2014	5 cents per share
30 June 2015	5 cents per share
30 June 2016	5 cents per share
30 June 2017	5 cents per share
30 June 2018	7 cents per share

In accordance with the Treasury Laws Amendment (Enterprise Tax Plan) Act 2017 the tax rate at which dividends have been franked was reduced to 27.5% the same as the previous year.

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Events since the end of the financial year

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company the results of those operations or the state of affairs of the company, in future years.

Likely developments

The company will continue its policy of facilitating banking services to the community.

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

Indemnification and insurance of directors and officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors' meetings

The number of directors' meetings attended by each of the directors of the company during the year were:

	Board Meetings Attended		Committee Meetings Attended					
			Marketing		Human Resources		Finance and Audit	
	A	B	A	B	A	B	A	B
Ernest Albert Hiddlestone	11	10	7	5	3	3	-	-
Michael Frank Kidd	11	11	-	-	-	-	4	4
Stephen Donald Lee	11	11	-	-	-	-	4	4
Laurence Ian Galloway	11	8	-	-	3	3	-	-
Patrick Martin Cole	3	2	1	2	-	-	-	-
Sarah Elizabeth Perryer	3	2	-	-	-	-	2	2
Donald Francis Repacholi	3	2	1	2	2	2	-	-
Xiwen Yow (Resigned 31 March 2018)	3	3	-	-	-	-	2	2
Iggy Matthew (Resigned 24 October 2017)	3	3	-	-	-	-	-	-
Fiona Jane Bell (Resigned 24 October 2017)	11	9	7	7	-	-	-	-

A - eligible to attend
B - number attended

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the finance & audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the finance & audit committee to ensure they do not impact on the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Directors' report (continued)

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

Signed in accordance with a resolution of the board of directors at Pinjarra, Western Australia on 27th September 2018.

E. A. Hiddlestone

Ernest Albert Hiddlestone,
Chairman

Auditor's independence declaration

Partners in success

Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Pinjarra Community Financial Services Limited

As lead auditor for the audit of Pinjarra Community Financial Services Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 27 September 2018

David Hutchings
Lead Auditor

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Liability limited by a scheme approved under Professional Standards Legislation. ABN 51 061 795 337

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

	Notes	2018 $	2017 $
Revenue from ordinary activities	4	1,037,127	1,067,254
Employee benefits expense		(519,052)	(492,396)
Charitable donations, sponsorship, advertising and promotion		(62,894)	(51,466)
Occupancy and associated costs		(116,746)	(118,693)
Systems costs		(34,060)	(33,629)
Depreciation and amortisation expense	5	(85,264)	(79,382)
Finance costs	5	(10,094)	(12,822)
General administration expenses		(132,545)	(141,122)
Profit before income tax expense		**76,472**	**137,744**
Income tax expense	6	(21,030)	(37,880)
Profit after income tax expense		**55,442**	**99,864**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**55,442**	**99,864**
Earnings per share		**¢**	**¢**
Basic earnings per share	23	14.07	25.34

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2018

	Notes	2018 $	2017 $
ASSETS			
Current assets			
Cash and cash equivalents	7	437,870	436,063
Trade and other receivables	8	82,013	97,752
Current tax asset	11	3,243	-
Total current assets		**523,126**	**533,815**
Non-current assets			
Property, plant and equipment	9	253,584	273,255
Intangible assets	10	38,241	49,433
Deferred tax asset	11	18,863	3,886
Total non-current assets		**310,688**	**326,574**
Total assets		**833,814**	**860,389**
LIABILITIES			
Current liabilities			
Trade and other payables	12	50,976	56,137
Current tax liabilities	11	-	19,326
Borrowings	13	24,060	30,199
Provisions	14	23,247	18,432
Total current liabilities		**98,283**	**124,094**
Non-current liabilities			
Trade and other payables	12	26,075	39,112
Borrowings	13	115,372	131,243
Provisions	14	3,211	2,918
Total non-current liabilities		**144,658**	**173,273**
Total liabilities		**242,941**	**297,367**
Net assets		**590,873**	**563,022**
EQUITY			
Issued capital	15	385,805	385,805
Retained earnings	16	205,068	177,217
Total equity		**590,873**	**563,022**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the year ended 30 June 2018

	Notes	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2016		385,805	97,061	482,866
Total comprehensive income for the year		-	99,864	99,864
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21(a)	-	(19,708)	(19,708)
Balance at 30 June 2017		**385,805**	**177,217**	**563,022**
Balance at 1 July 2017		385,805	177,217	563,022
Total comprehensive income for the year		-	55,442	55,442
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21(a)	-	(27,591)	(27,591)
Balance at 30 June 2018		**385,805**	**205,068**	**590,873**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		1,152,571	1,165,603
Payments to suppliers and employees		(964,896)	(946,344)
Interest received		1,916	555
Interest paid		(10,094)	(12,822)
Income taxes paid		(58,576)	(47,797)
Net cash provided by operating activities	**17**	**120,921**	**159,195**
Cash flows from investing activities			
Payments for property, plant and equipment		(65,388)	(315,525)
Proceeds from property, plant and equipment		7,727	909
Payments for intangible assets		(11,852)	(8,552)
Net cash used in investing activities		**(69,513)**	**(323,168)**
Cash flows from financing activities			
Repayment of borrowings		(22,010)	(18,285)
Dividends paid	21(a)	(27,591)	(19,708)
Net cash used in financing activities		**(49,601)**	**(37,993)**
Net increase/(decrease) in cash held		**1,807**	**(201,966)**
Cash and cash equivalents at the beginning of the financial year		436,063	638,029
Cash and cash equivalents at the end of the financial year	**7(a)**	**437,870**	**436,063**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2018

Note 1. Summary of significant accounting policies

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates which are significant to the financial statements, are disclosed in Note 3.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

Where required by Australian Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Application of new and amended accounting standards

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2017, and are therefore relevant for the current financial year.

AASB 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This accounting standard is not expected to have a material impact on the financial statements.

AASB 15 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. This accounting standard is not expected to have a material impact on the financial statements.

There are also a number of accounting standards and interpretations issued by the AASB that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2017. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

AASB 16 Leases is effective for annual periods beginning on or after 1 January 2019. The standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The company has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend on future economic conditions, including the company's borrowing rate at 1 January 2019, the composition of the lease portfolio at that date, the latest assessment of whether the company will exercise any lease renewal options and the extent to which the company chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating leases of its branch. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to $254,319, on an undiscounted basis (see Note 18).

No significant impact is expected for the company's finance leases.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branch at Pinjarra, Western Australia.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**® branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**® branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**® branch franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice and assistance in relation to:

- design, layout and fit out of the **Community Bank**® branch
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Margin

Margin is arrived at through the following calculation:

- Interest paid by customers on loans less interest paid to customers on deposits
- plus any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,
- minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Margin is paid on all core banking products. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.

The company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products.

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo and Adelaide Bank Limited has also made discretionary financial payments to the company. These are referred to by Bendigo and Adelaide Bank Limited as a “Market Development Fund” (MDF).

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and donations. It is for the board to decide how to use the MDF.

The payments from Bendigo and Adelaide Bank Limited are discretionary and Bendigo and Adelaide Bank Limited may change the amount or stop making them at any time.

Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

If Bendigo and Adelaide Bank Limited makes a change to the margin or commission on core banking products and services, it must not reduce the margin and commission the company receives on core banking products and services Bendigo and Adelaide Bank Limited attributes to the company to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank Limited’s margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank Limited may make.

Bendigo and Adelaide Bank Limited must give the company 30 day’s notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank**® companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank**® model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited’s margin.

c) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or unrefunded).

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or gain from a bargain purchase.

d) Employee entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

e) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

f) Trade receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

g) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements 5 - 15 years
- plant and equipment 2.5 - 40 years
- motor vehicles 3 - 5 years

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

i) Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 day's.

j) Borrowings

All loans are initially measured at the principal amount. Interest is recognised as an expense as it accrues.

k) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Classification and subsequent measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Financial liabilities

Financial liabilities include borrowings, trade and other payables and non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions of other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

n) Issued capital

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

o) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Note 1. Summary of significant accounting policies (continued)

p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Note 2. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the distribution limit.

Note 2. Financial risk management (continued)

The distribution limit is the greater of:

(a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2018 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

There were no changes in the company's approach to capital management during the year.

Note 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from carried forward tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the Statement of Profit or Loss and Other Comprehensive Income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

	2018 $	2017 $

Note 4. Revenue from ordinary activities

	2018 $	2017 $
Operating activities:		
- gross margin	821,040	812,276
- services commissions	68,669	103,530
- fee income	90,260	104,032
- market development fund	25,000	25,000
Total revenue from operating activities	**1,004,969**	**1,044,838**
Non-operating activities:		
- interest received	2,397	433
- rental revenue	11,276	11,502
- other revenue	18,485	10,481
Total revenue from non-operating activities	**32,158**	**22,416**
Total revenues from ordinary activities	**1,037,127**	**1,067,254**

Notes to the financial statements (continued)

	2018 $	2017 $

Note 5. Expenses

	2018 $	2017 $
Depreciation of non-current assets:		
- plant and equipment	12,771	14,106
- leasehold improvements	57,397	50,790
- motor vehicle	3,904	3,791
Amortisation of non-current assets:		
- franchise agreement	11,192	10,695
	85,264	**79,382**
Finance costs:		
- interest paid	**10,094**	**12,822**
Bad debts	**864**	**2,753**
Loss on disposal of asset	**3,261**	**65**

Note 6. Income tax expense

	2018 $	2017 $
The components of tax expense comprise:		
- Current tax	36,007	50,323
- Movement in deferred tax	(14,977)	(12,443)
	21,030	**37,880**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	76,472	137,744
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	21,030	37,880
Add tax effect of:		
- non-deductible expenses	897	18
- timing difference expenses	15,328	12,425
- other deductible expenses	(1,248)	-
	36,007	**50,323**
Movement in deferred tax	(14,977)	(12,443)
	21,030	**37,880**

Note 7. Cash and cash equivalents

	2018 $	2017 $
Cash at bank and on hand	55,954	436,063
Term deposits	381,916	-
	437,870	**436,063**

Notes to the financial statements (continued)

	2018 $	2017 $
Note 7. Cash and cash equivalents (continued)		
Note 7.(a) Reconciliation to cash flow statement		
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:		
Cash at bank and on hand	55,954	436,063
Term deposits	381,916	-
	437,870	**436,063**

Note 8. Trade and other receivables

Trade receivables	74,185	86,142
Prepayments	7,347	8,610
Other receivables and accruals	481	3,000
	82,013	**97,752**

Note 9. Property, plant and equipment

Leasehold improvements		
At cost	297,733	262,736
Less accumulated depreciation	(106,920)	(52,081)
	190,813	**210,655**
Plant and equipment		
At cost	78,056	76,443
Less accumulated depreciation	(37,036)	(24,266)
	41,020	**52,177**
Motor vehicles		
At cost	22,414	20,217
Less accumulated depreciation	(663)	(9,794)
	21,751	**10,423**
Total written down amount	**253,584**	**273,255**
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	210,655	247,162
Additions	41,361	14,283
Disposals	(3,805)	-
Less: depreciation expense	(57,397)	(50,790)
Carrying amount at end	**190,814**	**210,655**

Notes to the financial statements (continued)

	2018 $	2017 $
Note 9. Property, plant and equipment (continued)		
Plant and equipment		
Carrying amount at beginning	52,177	65,785
Additions	1,613	1,473
Disposals	-	(975)
Less: depreciation expense	(12,770)	(14,106)
Carrying amount at end	**41,020**	**52,177**
Motor vehicles		
Carrying amount at beginning	10,423	14,214
Additions	22,414	-
Disposals	(7,183)	-
Less: depreciation expense	(3,904)	(3,791)
Carrying amount at end	**21,750**	**10,423**
Total written down amount	**253,584**	**273,255**

Note 10. Intangible assets

Franchise fee		
At cost	205,961	205,961
Less: accumulated amortisation	(167,720)	(156,528)
Total written down amount	**38,241**	**49,433**

Note 11. Tax

Current:		
Income tax payable/(refundable)	**(3,243)**	**19,326**
Non-Current:		
Deferred tax assets		
- accruals	770	743
- employee provisions	7,790	6,404
- property, plant and equipment	12,455	-
	21,015	**7,147**

Notes to the financial statements (continued)

	Note	2018 $	2017 $
Note 11. Tax (continued)			
Deferred tax liability			
- accruals		132	-
- deductible prepayments		2,020	2,368
- property, plant and equipment		-	893
		2,152	**3,261**
Net deferred tax asset		**18,863**	**3,886**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income		**(14,977)**	**(12,443)**

Note 12. Trade and other payables

Current:			
Trade creditors		13,325	14,757
Other creditors and accruals		37,651	41,380
		50,976	**56,137**
Non-Current:			
Trade creditors		**26,075**	**39,112**

Note 13. Borrowings

Current:			
Chattel mortgage	Note 18	-	6,139
Bank loans		24,060	24,060
		24,060	**30,199**
Non-Current:			
Chattel mortgage	Note 18	-	2,227
Bank loans		115,372	129,016
		115,372	**131,243**

The bank loan is repayable monthly with interest recognised at an average rate of 6.70% (2017: 7.12%). The loan is secured by a fixed and floating charge over the company's assets.

Notes to the financial statements (continued)

	2018 $	2017 $

Note 14. Provisions

Current:		
Provision for annual leave	**23,247**	**18,432**
Non-Current:		
Provision for long service leave	**3,211**	**2,918**

Note 15. Issued capital

394,160 ordinary shares fully paid (2017: 394,160)	394,160	394,160
Less: equity raising expenses	(8,355)	(8,355)
	385,805	**385,805**

Rights attached to shares

(a) Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank**® branch have the same ability to influence the operation of the company.

(b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001*.

Note 15. Issued capital (continued)

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the “10% limit”).
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the “close connection test”).
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the “base number test”). The base number is 243. As at the date of this report, the company had 257 shareholders.

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member’s associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Note 16. Retained earnings

	2018 $	2017 $
Balance at the beginning of the financial year	177,217	97,061
Net profit from ordinary activities after income tax	55,442	99,864
Dividends provided for or paid	(27,591)	(19,708)
Balance at the end of the financial year	**205,068**	**177,217**

Notes to the financial statements *(continued)*

	2018 $	2017 $

Note 17. Statement of cash flows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

	2018 $	2017 $
Profit from ordinary activities after income tax	55,442	99,864
Non cash items:		
- depreciation	74,072	68,687
- amortisation	11,192	10,695
- loss on disposal of asset	3,261	65
Changes in assets and liabilities:		
- (increase)/decrease in receivables	15,738	(6,092)
- increase in other assets	(18,221)	(3,886)
- decrease in payables	(6,345)	(8,798)
- increase in provisions	5,108	4,691
- decrease in current tax liabilities	(19,326)	(6,031)
Net cash flows provided by operating activities	**120,921**	**159,195**

Note 18. Leases

Finance lease commitments

	2018 $	2017 $
Payable - minimum lease payments:		
- not later than 12 months	-	6,139
- between 12 months and 5 years	-	2,558
Minimum lease payments	**-**	**8,697**
Less future finance charges	-	(331)
Present value of minimum lease payments	**-**	**8,366**

The finance lease for the motor vehicle, which commenced in November 2014, was four year lease which was paid out during the year.

Operating lease commitments

	2018 $	2017 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	39,331	82,802
- between 12 months and 5 years	143,325	155,157
- greater than 5 years	71,663	107,494
	254,319	**345,453**

Notes to the financial statements (continued)

Note 18. Leases (continued)

The lease on the 35 George St premises is a non-cancellable lease with a ten year term, with rent payable monthly in advance. The current lease expires on 1 June 2025.

The lease on the Waroona Community Centre is a non-cancellable lease with a 1 year term, with rent payable monthly in advance. The current lease expires on 15 January 2019.

	2018 $	2017 $
Note 19. Auditor's remuneration		
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,400	4,800
- share registry services	4,507	4,724
- non audit services	2,235	2,870
	11,142	**12,394**

Note 20. Director and related party disclosures

The names of directors who have held office during the financial year are:

Ernest Albert Hiddlestone
Stephen Donald Lee
Patrick Martin Cole
Donald Francis Repacholi
Iggy Matthew (Resigned 24 October 2017)
Michael Frank Kidd
Laurence Ian Galloway
Sarah Elizabeth Perryer
Xiwen Yow (Resigned 31 March 2018)
Fiona Jane Bell (Resigned 24 October 2017)

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

Directors' Shareholdings	2018	2017
Ernest Albert Hiddlestone	300	300
Michael Frank Kidd	-	-
Stephen Donald Lee	-	-
Laurence Ian Galloway	2,000	2,000
Patrick Martin Cole	-	-
Sarah Elizabeth Perryer	-	-
Donald Francis Repacholi	-	-
Xiwen Yow (Resigned 31 March 2018)	-	-
Iggy Matthew (Resigned 24 October 2017)	-	-
Fiona Jane Bell (Resigned 24 October 2017)	-	-

There was no movement in directors' shareholdings during the year.

	2018 $	2017 $

Note 21. Dividends provided for or paid

	2018 $	2017 $
a. Dividends paid during the year		
Current year dividend		
100% (2017: 100%) franked dividend - 7 cents (2017: 5 cents) per share	**27,591**	**19,708**
The tax rate at which dividends have been franked is 27.5% (2017: 27.5%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	165,094	116,984
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	(3,243)	19,326
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	**161,851**	**136,310**
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	**161,851**	**136,310**

Note 22. Key management personnel disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

Note 23. Earnings per share

	2018 $	2017 $
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	55,442	99,864
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	394,160	394,160

Note 24. Events occurring after the reporting date

There have been no events after the end of the financial year that would materially affect the financial statements.

Notes to the financial statements (continued)

Note 25. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets at the date of this report to affect the financial statements.

Note 26. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Pinjarra, Western Australia pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 27. Registered office/Principal place of business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office

35 George Street
Pinjarra WA 6208

Principal Place of Business

35 George Street
Pinjarra WA 6208

Note 28. Financial instruments

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 %**	**2017 %**
Financial assets												
Cash and cash equivalents	55,754	435,863	381,916	-	-	-	-	-	200	200	0.50	0.08
Receivables	-	-	-	-	-	-	-	-	74,185	86,142	N/A	7.01
Financial liabilities												
Interest bearing liabilities	139,432	153,076	-	6,139	-	2,227	-	-	-	-	6.70	7.01
Payables	-	-	-	-	-	-	-	-	13,325	14,757	N/A	N/A

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Notes to the financial statements (continued)

Note 28. Financial instruments (continued)

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

As at 30 June 2018, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2018 $	**2017 $**
Change in profit/(loss)		
Increase in interest rate by 1%	2,982	2,744
Decrease in interest rate by 1%	(2,982)	(2,744)
Change in equity		
Increase in interest rate by 1%	2,982	2,744
Decrease in interest rate by 1%	(2,982)	(2,744)

Directors' declaration

In accordance with a resolution of the directors of Pinjarra Community Financial Services Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

(ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.

E. A. Hiddlestone

Ernest Albert Hiddlestone,
Chairman

Signed on the 27th of September 2018.

Independent audit report

Partners in success
Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

Independent auditor's report to the members of Pinjarra Community Financial Services Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Pinjarra Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
ii. complying with Australian Accounting Standards.

What we have audited

Pinjarra Community Financial Services Limited's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Balance sheet
- ✓ Statement of changes in equity
- ✓ Statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the entity.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report so that it gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/home.aspx. This description forms part of our auditor's report.

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 27 September 2018

David Hutchings
Lead Auditor

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