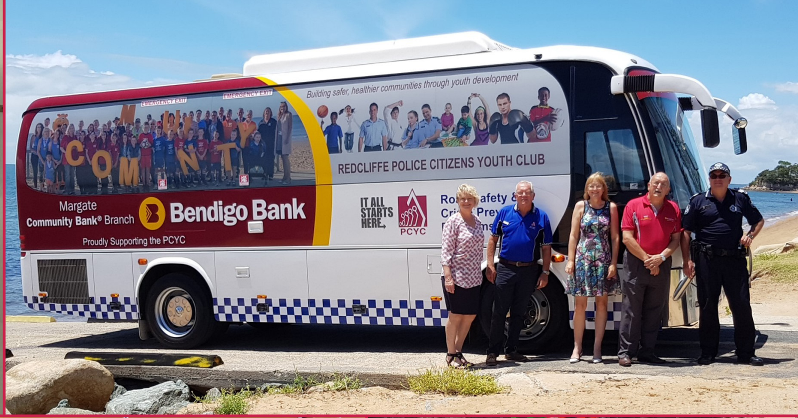

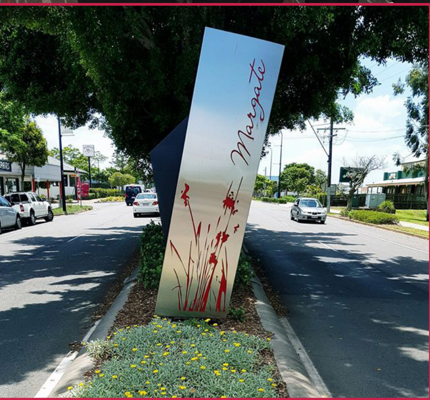

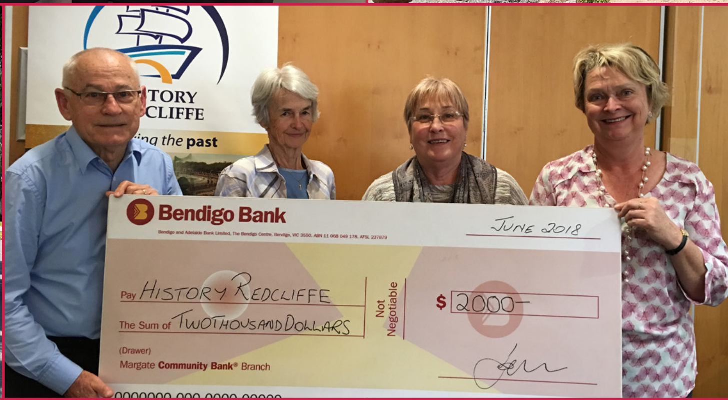

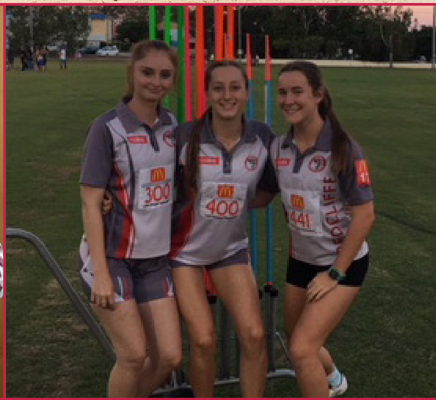

Annual Report 2018

Redcliffe Peninsula Finanical Services Limited

ABN 66 109 123 677

Margate **Community Bank**® Branch

Contents

Chairman’s report

For year ending 30 June 2018

Welcome to this our 13th Annual General Meeting. This year has been a long and challenging one. The last half of the year having taken a significant time of some of our directors to rectify problems within the tenancy.

Our business has reached a plateau and has actually regressed a bit. At this stage in the life of a business, it’s not unusual to hit a plateau, the good thing with our business, is that we are still running profitably. Anyone that has ever been in business well knows that the greater turnover doesn’t necessarily translate to greater profit. The past 13 years have seen the 230 plus shareholders who own the bank receive the equivalent of half the initial investment returned to them by way of dividends.

The aim and culture of the bank has never changed. We are first and foremost a bank who provides excellent service to our customers. Secondly and as importantly, we support our community. The branch is now one of 325 **Community Bank**® in Australia. The branch is a link in a chain that helps communities around Australia work towards allowing individuals and organisations achieve the best they can.

Since the **Community Bank**® inception, more than $200 million dollars has been given back to communities around Australia. Your local branch, the Margate **Community Bank**®, has during its life invested more than $750,000 in our local community.

Each year our Community Investment Grants Program is eagerly awaited by community groups. Clubs, schools etc. This year was no different. Grant recipients were:

The Breakfast Club, Chameleon House, History Redcliffe, Little Athletics, Meals on Wheels, Multitude Choir, Peninsula Power, Quota, Redcliffe Art Society, Redcliffe Community Men’s Shed, Redcliffe Drop In Centre, Woody Point Special School and Zonta Club of Redcliffe.

Total of the grants this year was $18,941.00.

This year we again honoured our first chairman with the Bill Hoogwaertz bursary. This is given to worthy recipients in the field of cancer research at UQ Thoracic Research Centre at Prince Charles Hospital. The bursary was divided amongst five PhD researchers Annalicia Vaughan, Brielle Parris, Kelly Chee, Eloise Shaw and Hannah O’Farrell.

We are obviously not aware of the individual recipient’s particular skills so we rely on the assistance of Dr Ian Yang and Dr Kwan Fong to choose worthy candidates. The bursary was valued at $10,000 and equally divided.

Our $2500 scholarship awarded to help with purchase of text books; travel etc went to Jack Powers from Redcliffe State High School, and an additional $500 was given to Abigail Murphy from Grace Lutheran College as runner-up. It never ceases to amaze me at the amount of talent we have on the Peninsula. With their high OPs, they can choose their own path.

We finished the handing over of the bus to PCYC. Sergeant Peter Parkes tells me that the bus was a God send. Both he and their chairman Noel Powell are grateful for the generous gesture shown by our branch. Our other big investment in our community was Redcliffe Musical Theatre which is also proven to be a success under the guidance of Madeline Johns. We wish both organisations good fortune for the future and look forward to a long relationship.

The sad news this year is that we lost one of the originals; Robert Orr resigned from board. Robert was the longest serving member of our group. He started with the steering committee in early 2003 then joined the board. Robert was loyal to the branch and will be missed. Good luck in the future. There are now only two originals board members remaining, Steve Hart and myself left.

This is quite healthy for the board as it shows we continue to attract new talent and energy to our management team, including our latest recruit Daniel Petravicius, who we nominated as a director on 1 July, after an 18-month Board Association while he was studying to be a lawyer at the University of Queensland. We now have a Gen Z on the team! So we have every generation represented on our board, from the Silent Generation, through the Baby Boomers, to Gen X, Gen Y and now Gen Z. I commend Daniel to you when you consider voting him on.

Chairman's report (continued)

This year we had the extraordinary experience of having to close the bank for five days around Easter. There was a smell in the branch and after air quality testing, a higher than normal incidence of mould was found the branch. After consultation with Bendigo Bank's Work Place Health and Safety and reactions from the staff, we received advice that staff could not work in the branch due to health reasons. After negotiating with the owners of the property, it was decided that we remedy the problem at our expense and ensure that staff were working in a safe environment. The matter of costs is still to be resolved. We then were required to close the branch for several weeks in July and August, but that is a story for next year's AGM!

I would like to especially thank the staff for the last part of the year. Working conditions were challenging. Whilst the branch was closed they were sent to work at other branches but never lost sight of where their loyalty lay. Thanks to our Manager Rita Cavanagh for keeping control of everything from what was a mobile office.

To my board, every single one of them is excellent in the way they attend to their duties as directors. The numerous extra meetings and communications we had because of the problem with the tenancy were handled professionally without complaints. It caused a bit of strain between some of us but we are all professional and friends and recognise that decisions had to be made, were made correctly and life goes on. I have to single out Brent Campbell and Christine Standfast, who with myself had many meetings, teleconferences, hundreds of emails and some sleepless nights in resolving a problem which was not of our own making. Thanks to all the directors.

Lastly to our shareholders, thank you for your support and your faith in the board. We have this year delivered a dividend of 4 cents fully franked. All dividends delivered over the past seven years have all returned better than current interest rates. A positive return for your faith in us.

Serge Paggiaro
Chairman

Manager’s report

For year ending 30 June 2018

“Australia’s Bank of Choice” is how we want to be known.

And why not? Bendigo and Adelaide Bank is the fifth largest bank in Australia and our overall customer satisfaction ratings were again announced as the best amongst all banks. What a continued great result and evidence of the trust our customers have for us. And what great recognition of the efforts and dedication of all the staff whose contribution towards excellent customer service is so highly valued.

In the last year, we saw some changes to our branch team and sadly said goodbye to three staff members who transferred to other branches – Lee, Nicki and Riddhi. And we welcomed their replacements, three new staff who joined the Bendigo Bank team – Lorena, Kara & Carly. As all ladies are new to Bendigo Bank, they’ve been on a huge learning curve this year! I’m pleased to say they have all completed their training, have settled in well and have become great additions to our business.

It’s been a challenging year, in particular with the environmental issues at the branch which saw us closed during rectification. With that now behind us, our eyes are firmly focussed on the future. My sincere thanks to our Margate **Community Bank**® team – Carly, Catherine, Suzie, Mandy, Lorena & Kara for their commitment to our team, our customers and our community, and for their ongoing efforts that directly contribute to the success of our branch. The Margate team along with Directors of the Board, are proud of our branch and the positive impact we make in our community. We all work diligently for the benefit of our customers, our branch and our overall community.

This year is the 20th year celebration of the first community bank that opened in Australia. At our recent **Community Bank**® National Conference we learnt that in these 20 years, more than $200 million has been contributed to Australian communities from our Australian network of **Community Bank**®. Wow! What a milestone! And you can feel proud that your Margate **Community Bank**® has contributed to that successful result by continually delivering much needed funds to our local community groups since we first opened our doors in Dec 2004.

In the 2017/18 financial year, we provided more than $25000 in community grants across 13 community not for profit groups. We also awarded our annual Youth Education Scholarship of $2500 to Jack Powers and a $500 runners up award to Abigail Murphy – both amazing young people who volunteer in our communities and are working hard towards their bright futures.

I’d like to acknowledge and thank our Board and our shareholders for their invaluable contribution to our success. Thanks also to our new Regional Manager Michelle Johnston and our Regional Community Manager Malcolm Frizzell. Without your support and advocacy, combined with that of our valued customers, we would not be in the position we are today.

We’re focussed on growing our **Community Bank**® and this is where I need your continued help in bringing new business into our branch. Can you provide an introduction to a personal contact, a business or a community group you’re involved with? Your willingness to promote and recommend Margate Community Bank® as a great place to do business is a key to our success.

On a final note, we’re looking forward to another, more successful, year ahead. And we know that for us to be successful, our customers and communities need to be successful first. Let’s all encourage others make the change to community banking and spread the unique story that is Margate **Community Bank**®!

Rita Cavanagh
Branch Manager

Directors' report

For the financial year ending 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:

Serge Paggiaro
Chairman
Occupation: Retired
Qualifications, experience and expertise: Founding Director and Chairman. Previously involved in the not for profit sector. Former Marketing Manager Redcliffe Hospital Foundation. Former Director of Sales and Marketing Golf ala Cart promoting golf tours to Asia and Hawaii. Partner and manager of travel agencies for 21 years. Member of and involved in various community organisation over the past 47 years. Past President Rotary Club of Kippa Ring. Past President Redcliffe Hockey Club. Redcliffe City Bicentennial Committee Member. Involved in various community and sporting organisations in Redcliffe Peninsula over the past 48 years.
Special responsibilities: Chairman of the Board. Chairman of the Human Resources. Member of the Property Committee.
Interest in shares: 1 ordinary share

Stephen John Hart
Vice-Chair
Occupation: Property Consultant
Qualifications, experience and expertise: CEO of the Redcliffe Hospital Foundation 2007-2012. Manager of Redcliffe and Bayside Herald 200-2007. Managing Director and Co-Owner of The Magazine Publishing Company 1985-2000.
Special responsibilities: Chair of the Marketing Committee.
Interest in shares: 1,001 ordinary shares

Christine Julia Standfast
Secretary
Occupation: Marketing
Qualifications, experience and expertise: Bachelor of Business (Communication), QUT. Part Company Administration from AICD. Worked in consulting for 35 years at Media Link Communication Group. During this time she undertook lengthy contracts for Moreton Bay Regional Council (3 years), Newcombes Holdings (3 years), Village Motors (4 years) and Our Village Foundation (3 years). She has consulted in most industries and in most fields of communication expertise including marketing & business strategy, community consultation and relations, media skills, publications, research, government relations and social media.
Special responsibilities: Company Secretary, Member of the Human Resource Committee and Marketing Committee.
Interest in shares: Nil

Rae Amelda Frawley
Assistant Treasurer
Occupation: Retired
Qualifications, experience and expertise: Elected local government representative, Redcliffe City Council and Moreton Bay Regional Council 2004-2012. Formerly employed with Redcliffe hospital in Dental Health, Hospital Administration, Banking & Finance and Training & Education. Small Business Owner and Operator. Currently employed as Relief Manager at Peninsula Park Retirement Estate. Current Secretary of History Redcliffe and Chair of Club 189 (Redcliffe Drop In Centre).
Special responsibilities: Chair of the Youth Education Scholarship Committee and Audit Committee. Assistant Treasurer
Interest in shares: 300 ordinary shares

Directors *(continued)*

Brent Anthony Campbell
Director
Occupation: Property Manager
Qualifications, experience and expertise: Brent graduated university in 2002 with a Bachelor of Commerce degree. Brent commenced employment with Retail First Pty Ltd in 2003, winning the Property Council of Australia's Excellence in Marketing Award. Brent lived in Europe for approximately two years before returning to Australia and recommencing work for Retails First Pty Ltd. Brent has been Marketing Manager of Peninsula Fair and Margate Village, and Centre Manager of Bluewater Square in Redcliffe and currently holds the position of Retail Manager of Toowong Village and Tower.
Special responsibilities: Member of the Marketing, Property and Youth Education Scholarships Committees.
Interest in shares: Nil

Peter John Morley
Director
Occupation: Financial Planner (Retired)
Qualifications, experience and expertise: He holds a Diploma of Financial Planning, Diploma of Marketing, Certificate IV Workplace Training & Assessment and Certificate IV Mortgage Broking. Peter is a former Director of Moreley Investment Group Pty Ltd Financial Planners.
Special responsibilities: Company Treasurer and Member of the Corporate Governance, Ethics and Audit Committee.
Interest in shares: Nil

Daniel Petravicius
Director *(Appointed 1 July 2018)*
Occupation: Law Clerk
Qualifications, experience and expertise: Daniel is currently completing duel Bachelor Degrees in Law and Business (Economics) at the Queensland University of Technology and is a Justice of the Peace (Qualified). Daniel has over four years of experience in the legal and government sectors where he has assisted in corporate litigation and dispute resolution, insolvency and bankruptcy proceedings and corporate recoveries as well as legislative review and editing. Daniel has been an active member of the community having volunteered his time to the RSPCA, Grace Lutheran College who he graduated from in 2013 and the Moreton Bay Community Legal Service where he advises of fundraising. Over the past four years, Daniel has been involved with the Margate Community Bank as the 2014 YES Scholarship Recipient, a Board Associate and currently sits on the Board as a Director.
Special responsibilities: Risk, Governance and Audit Committee and Scholarship and Youth Education Committee.
Interest in shares: Nil

Robert James Orr
Director (*Resigned 30 June 2018)*
Occupation: Self Employed
Qualifications, experience and expertise: Robert is a founding director of the company. Robert is a director and manager of a retail office supplies business for 25 years. He has a Certificate in Human Resources Management. He has been involved with a variety of community groups over this time.
Special responsibilities: Chair of the Human Resources Committee. Member of the Youth Education Scholarships Committee.
Interest in shares: 6,501 ordinary shares

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 Christine Julia Standfast. Christine was appointed to the position of secretary on 30 March 2009.

Christine has managed her own business for more than 20 years and also consulted in marketing and communication. She holds a Bachelor of Business (Communication and Public Relations) and has completed part of Certificate IV in Company Administration.

Directors' report (continued)

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

There have been no significant changes in the nature of these activities during the year.

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 $
26,797	102,648

Dividends	Year ended 30 June 2018 Cents	$
Dividends paid in the year	4	27,254

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 except as disclosed in note 20 and 22 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

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	
	Eligible	Attended
Serge Paggiaro	11	10
Stephen John Hart	11	6
Christine Julia Standfast	11	10
Rae Amelda Frawley	11	10
Brent Campbell	11	9
Peter Morley	11	11
Daniel Petravicius *(Appointed 1 July 2018)*	-	-
Robert James Orr *(Resigned 30 June 2018)*	11	9

Sub Committees: There were six sub-committees in 2017- 2018:

- Marketing (four members)
- Human Resources (three members)
- Corporate Governance and Risk Assessment (three members)
- Scholarship Committee (three members)
- Bill Hoogwaerts Memorial Bursary (two members)
- Property (two members).

The board did not record sub-committee meetings and attendances.

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 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 board 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.

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 6.

Signed in accordance with a resolution of the board of directors at Margate, Queensland on 25 September 2018.

Serge Paggiaro, 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 Redcliffe Peninsula Financial Services Limited

As lead auditor for the audit of Redcliffe Peninsula 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: 25 September 2018

David Hutchings
Lead Auditor

Taxation | Audit | Business Services
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	823,400	848,671
Employee benefits expense		(439,619)	(416,783)
Charitable donations, sponsorship, advertising and promotion		(93,455)	(58,159)
Occupancy and associated costs		(69,516)	(59,082)
Systems costs		(20,440)	(20,662)
Depreciation and amortisation expense	5	(19,922)	(20,549)
Finance costs	5	-	-
General administration expenses		(145,501)	(126,097)
Profit before income tax expense		**34,947**	**147,339**
Income tax expense	6	(8,150)	(44,691)
Profit after income tax expense		**26,797**	**102,648**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**26,797**	**102,648**
Earnings per share		¢	¢
Basic earnings per share	23	3.93	15.07

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	357,598	336,666
Trade and other receivables	8	37,876	39,093
Total current assets		**395,474**	**375,759**
Non-current assets			
Property, plant and equipment	9	104,325	110,636
Intangible assets	10	20,417	34,028
Financial assets	12	123,585	103,313
Total non-current assets		**248,327**	**247,977**
Total assets		**643,801**	**623,736**
LIABILITIES			
Current liabilities			
Trade and other payables	13	69,006	51,730
Current tax liabilities	11	38,606	36,779
Total current liabilities		**107,612**	**88,509**
Non-current liabilities			
Deferred tax liabilities	11	10,942	9,523
Total non-current liabilities		**10,942**	**9,523**
Total liabilities		**118,554**	**98,032**
Net assets		**525,247**	**525,704**
EQUITY			
Issued capital	14	644,605	644,605
Accumulated losses	15	(119,358)	(118,901)
Total equity		**525,247**	**525,704**

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the year ended 30 June 2018

	Notes	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2016		644,605	(194,295)	450,310
Total comprehensive income for the year		-	102,648	102,648
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21 20	-	(27,254)	(27,254)
Balance at 30 June 2017		**644,605**	**(118,901)**	**525,704**
Balance at 1 July 2017		644,605	(118,901)	525,704
Total comprehensive income for the year		-	26,797	26,797
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	(27,254)	(27,254)
Balance at 30 June 2018		**644,605**	**(119,358)**	**525,247**

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		907,617	924,824
Payments to suppliers and employees		(845,064)	(757,332)
Interest received		3,065	2,057
Interest paid		(528)	(1)
Income taxes received		-	4,085
Income taxes paid		(4,904)	-
Net cash provided by operating activities	16	**60,186**	**173,633**
Cash flows from investing activities			
Payments for financial assets		(12,000)	(12,000)
Net cash used in investing activities		**(12,000)**	**(12,000)**
Cash flows from financing activities			
Dividends paid	21	(27,254)	(27,254)
Net cash used in financing activities		**(27,254)**	**(27,254)**
Net increase in cash held		**20,932**	**134,379**
Cash and cash equivalents at the beginning of the financial year		336,666	202,287
Cash and cash equivalents at the end of the financial year	7(a)	**357,598**	**336,666**

The accompanying notes form part of these financial statements

Notes to the financial statements

for the 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.

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.

Note 1. Summary of significant accounting policies *(continued)*

a) Basis of preparation *(continued)*

Application of new and amended accounting standards (continued)

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating lease of its branch. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to $54,241, 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 Margate, Queensland.

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.

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.

Note 1. Summary of significant accounting policies *(continued)*

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.

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.

Note 1. Summary of significant accounting policies *(continued)*

b) Revenue *(continued)*

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 days 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 payable (or refundable).

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.

Note 1. Summary of significant accounting policies *(continued)*

c) Income tax *(continued)*

Deferred tax (continued)

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.

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

Note 1. Summary of significant accounting policies *(continued)*

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 days.

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.

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). They 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.

Note 1. Summary of significant accounting policies *(continued)*

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.

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.

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.

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.

Note 3. Critical accounting estimates and judgements *(continued)*

Impairment of assets (continued)

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.

Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

Note 4. Revenue from ordinary activities

	2018	2017
	$	$
Operating activities:		
- gross margin	606,111	619,471
- services commissions	109,084	124,186
- fee income	59,411	70,991
- market development fund	25,000	25,000
Total revenue from operating activities	799,606	839,648
Non-operating activities:		
- distributions from available-for-sale financial assets	5,244	5,356
- net gain on available-for-sale financial assets	5,271	1,007
- other revenue	9,050	-
Total revenue from non-operating activities	23,794	9,023
Total revenues from ordinary activities	823,400	848,671

Notes to the financial statements (continued)

for the year ended 30 June 2018

Note 5. Expenses	2018	2017
	$	$
Depreciation of non-current assets:		
- plant and equipment	3,643	4,270
- leasehold improvements	2,668	2,668
Amortisation of non-current assets:		
- franchise agreement	2,242	2,242
- franchise renewal fee	11,369	11,369
	19,922	20,549
Bad debts	2,855	942

Note 6. Income tax expense		
The components of tax expense comprise:		
- Current tax	8,204	40,694
- Movement in deferred tax	1,419	4,500
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	(183)
- Over provision of tax in the prior period	(1,473)	(320)
	8,150	44,691
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	34,947	147,339
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	9,610	40,518
Add tax effect of:		
- non-deductible expenses	22	791
- timing difference expenses	(1,419)	(615)
- other deductible expenses	(9)	-
	8,204	40,694
Movement in deferred tax	1,419	4,500
Adjustment to deferred tax to reflect change of tax rate in future periods	-	(183)
Over provision of income tax in the prior year	(1,473)	(320)
	8,150	44,691

Note 7. Cash and cash equivalents		
Cash at bank and on hand	357,598	336,666

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	177,487	159,619
Term Deposits	180,111	177,047
	357,598	336,666

Note 8. Trade and other receivables	2018	2017
	$	$
Trade receivables	31,484	32,036
Prepayments	4,625	6,454
	37,876	39,093

Note 9. Property, plant and equipment		
Leasehold improvements		
At cost	106,719	106,719
Less accumulated depreciation	(36,189)	(33,521)
	70,530	73,198
Plant and equipment		
At cost	145,107	145,107
Less accumulated depreciation	(111,312)	(107,669)
	33,795	37,438
Total written down amount	104,325	110,636

Movements in carrying amounts:

Leasehold improvements		
Carrying amount at beginning	73,198	75,866
Additions	-	-
Disposals	-	-
Less: depreciation expense	(2,668)	(2,668)
Carrying amount at end	70,530	73,198
Plant and equipment		
Carrying amount at beginning	37,438	41,708
Additions	-	-
Disposals	-	-
Less: depreciation expense	(3,643)	(4,270)
Carrying amount at end	33,795	37,438
Total written down amount	104,325	110,636

Note 10. Intangible assets

	2018	2017
	$	$
Franchise fee		
At cost	82,555	82,555
Less: accumulated amortisation	(79,204)	(76,962)
	3,351	5,593
Renewal processing fee		
At cost	112,769	112,769
Less: accumulated amortisation	(95,703)	(84,334)
	17,066	28,435
Total written down amount	20,417	34,028

Note 11. Tax

Current:		
Income tax payable	38,606	36,779
Non-Current:		
Deferred tax assets		
- accruals	613	132
	613	132
Deferred tax liability		
- accruals	486	166
- property, plant and equipment	11,069	9,489
	11,555	9,655
Net deferred tax liability	(10,942)	(9,523)
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	1,419	(4,318)

Note 12. Financial assets

Available-for-sale financial assets			
Unlisted investments at fair value			
IOOF Pursuit Core Managed Fund	17	123,585	103,313

Note 13. Trade and other payables

Current:		
Trade creditors	11,535	25,306
Other creditors and accruals	57,471	26,424
	69,006	51,730

Note 14. Issued capital	2018	2017
	$	$
681,359 ordinary shares fully paid (2017: 681,359)	666,359	666,359
Less: equity raising expenses	(21,754)	(21,754)
	644,605	644,605

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.*

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 they control or own 10% or more of the shares in the company (the "10% limit").

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.

Note 14. Issued capital *(continued)*

Prohibited shareholding interest *(continued)*

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 15. Accumulated losses

	2018 $	2017 $
Balance at the beginning of the financial year	(118,901)	(194,295)
Net profit from ordinary activities after income tax	26,797	102,648
Dividends provided for or paid	(27,254)	(27,254)
Balance at the end of the financial year	(119,358)	(118,901)

Note 16. Statement of cash flows

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

Profit from ordinary activities after income tax	26,797	102,648
Non cash items:		
- depreciation	6,311	6,938
- amortisation	13,611	13,611
- increase in net market value of investments	(8,272)	(4,086)
Changes in assets and liabilities:		
- increase in receivables	1,217	(6,824)
- increase in payables	17,276	12,570
- increase/(decrease) in tax liabilities	3,246	48,776
Net cash flows provided by operating activities	60,186	173,633

Note 17. Fair value measurement

This section explains the judgements and estimates made in determining the fair values of the company's assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the applicable assets have been classified into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

At 30 June 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements:				
Available-for-sale financial assets				
IOOF Pursuit Core Managed Fund	123,585	-	-	123,585
Total assets at fair value	123,585	-	-	123,585

At 30 June 2017	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements:				
Available-for-sale financial assets				
IOOF Pursuit Core Managed Fund	103,313	-	-	103,313
Total assets at fair value	103,313	-	-	103,313

There were no transfers between Level 1 and Level 2 during the reporting period. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

- Level 1: The fair value of available-for-sale financial assets traded in active markets is based on the quoted market price at the close of business at the end of the reporting period.
- Level 2: The fair value of property, plant and equipment is based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.
- Level 3: There were no fair value measurements by the Level 3 fair value hierarchy.

Note 18. Leases

	2018 $	2017 $
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	36,161	36,161
- between 12 months and 5 years	18,080	54,241
	54,241	90,402

The lease agreement on the branch premises is a non-cancellable lease with a five year term commencing on 7 December 2014 and expiring on 6 December 2019. The rent and outgoings payable is currently $36,161 per annum plus GST, reviewed annually and adjusted based on CPI.

Notes to the financial statements (continued)

for the year ended 30 June 2018

Note 19. Auditor's remuneration	2018	2017
	$	$
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,400	5,300
- share registry services	4,174	3,819
- non audit services	1,650	1,465
	10,224	10,584

Note 20. Director and related party disclosures

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

Serge Paggiaro
Stephen John Hart
Christine Julia Standfast
Rae Amelda Frawley
Robert James Orr
Brent Campbell
Peter Morley

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

	2018	2017
Robert Orr, in the capacity of office supplies business owner, supplied copy paper and stationery to the value of:	1,232	1,159
Christine Standfast provided:		
- marketing and administration services	8,600	7,940
Peter Morley provided:		
- marketing services	7,200	7,940

Directors Shareholdings	2018	2017
Serge Paggiaro	1	1
Stephen John Hart	1,001	1,001
Christine Julia Standfast	-	-
Rae Amelda Frawley	300	300
Robert James Orr	6,501	6,501
Brent Campbell	-	-
Daniel Petravicius *(Appointed 1 July 2018)*	-	-
Peter Morley *(Appointed 24 January 2017)*	-	-

There was no movement in directors shareholdings during the year.

Note 21. Dividends provided for or paid

	2018	2017
	$	$
a. Dividends paid during the year		
Current year dividend		
100% (2017: 100%) franked dividend - 4 cents (2017: 4 cents) per share	27,254	27,254

The tax rate at which dividends have been franked is 27.5% (2017: 30%).

	2018	2017
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	40,604	733
- franking credits that will arise from payment of income tax as at the end of the financial year	38,606	36,779
- 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:	79,210	37,512
- 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	79,210	37,512

Note 22. Key management personnel disclosures

The directors received remuneration including superannuation, as follows:

	2018	2017
Serge Paggiaro	5,100	5,639
Stephen John Hart	3,100	3,449
Christine Julia Standfast	3,600	3,997
Rae Amelda Frawley	1,600	1,725
Brent Campbell	1,600	1,725
Peter Morley	3,600	1,944
Daniel Petravicius *(Appointed 1 July 2018)*	-	-
Robert James Orr *(Resigned 30 June 2018)*	1,600	1,725
	20,200	20,204

Community Bank® Directors' Privileges Package

The board has adopted the Community Bank® Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank®** branch at Margate, Queensland. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the directors from the Directors' Privilege Package are $12 for the year ended 30 June 2018 (2017: $45).

Note 23. Earnings per share

	2018	2017
	$	$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	26,797	102,648
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	681,359	681,359

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.

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 Margate, Queensland 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	Principal Place of Business
Shop 1A, 300 Oxley Avenue Margate QLD 4019	Shop 1A, 300 Oxley Avenue Margate QLD 4019

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.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 %	2017 %
Financial assets												
Cash and cash equivalents	177,187	159,319	180,111	177,047	-	-	-	-	300	300	1.60	1.05
Receivables	-	-	-	-	-	-	-	-	31,484	32,036	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	11,535	25,306	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.

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%	3,573	3,364
Decrease in interest rate by 1%	(3,573)	(3,364)
Change in equity		
Increase in interest rate by 1%	3,573	3,364
Decrease in interest rate by 1%	(3,573)	(3,364)

Directors' declaration

In accordance with a resolution of the directors of Redcliffe Peninsula 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.

Serge Paggiaro, Chairman

Signed on the 25th of September 2018.

Partners in success
Chartered Accountants

61 Bull Street, Bendigo 3550
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03 5443 0344
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Independent auditor's report to the members of Redcliffe Peninsula Financial Services Limited

Report on the audit of the financial statements

Our opinion
In our opinion, the financial report of Redcliffe Peninsula 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
Redcliffe Peninsula 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.

Independent audit report (continued)

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: 25 September 2018

David Hutchings
Lead Auditor

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