Annual Report 2018

Rosewood & District Financial Services Limited

ABN 62 115 218 472

Rosewood & District **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2018

As Chairman of the Board of Directors of Rosewood & District Financial Services Limited, it gives me great pleasure to present the thirteenth Annual Report.

With great sadness in March this year we lost our Chairman & mate, Alan Price to the dreadful disease of Leukaemia. Alan stayed strong right to the very end, never wanting this disease to beat him & keeping his larrikin sense of humour right to the time he could not fight anymore. He worked tirelessly as Chairman of the board for over seven years and was part of the original formation group which formed approximately 15 years ago. With his passion for our bank, its growth & the community always on his mind, Alan will be sadly missed by all.

July 2017 to June 2018 has once again proved to be an interesting time, with the royal commission into banking & interest rates being held at an all time low. The combination of these two events have made the banks look a lot more closely at their loan books and also the tightening of lending applications. We are very fortunate that we have had good bank managers in the past and present in our branch, that have kept our lending and deposit books on a fairly even par, providing continued profitability for our branch. We are very proud to announce that in the 2017/18 financial year, we distributed $121,426 to the local community by means of donations, sponsorships and community grants and a further $38,021 in shareholder dividends.

We saw the resignation of our Branch Manager Lisa Blake from our Branch, but we were very pleased when she agreed to continue on as a member of our Board. This left the opening for our new Branch Manager Brett Marsten. Brett comes to us with a wealth of banking knowledge and has fitted straight into his role and is kicking some great goals. If you haven't met Brett, please drop into the branch and say hello.

As a Board we are very proud to announce that we have been selected as a finalist in the Hall of Fame for **Community Bank®** Branch's in Australia. We are down to the last three, with the winner announced at the National Conference in Bendigo in September 2018. This is a great honour to be named & nominated for the Hall of Fame and highlights the dedication and time the Staff & Directors put into our great **Community Bank®** Branch. Our fingers are crossed, and we will look forward to letting you all know if we win.

From this I would like to thank our fantastic Staff at our Branch. What a great team, who always have a smile on their faces and ready to help, even outside of their general working hours. Our Board members who continue to support and drive our **Community Bank®** , volunteering their time for meetings, events, training & conferences.

I would like to thank our Shareholders for your support of the Board over the past twelve months. We look forward as a Board in providing another successful 2018 – 2019 financial year growth.

Stuart Ross
Chairman

Manager’s report

For year ending 30 June 2018

It is hard to believe how fast the years go by until someone says that a report is needed for the previous financial year.

I started as Branch Manager with Rosewood and District **Community Bank®** Branch in February 2018, having spent over 30 years working for several other financial institutions. While I have only just begun to find my feet, I have to say that the **Community Bank®** model is the most satisfying banking/community arrangement I have seen.

We have had another solid year and I am happy to report the following:

1) Megan Swan took out our 2018 Scholarship Award in March receiving the first of 2 amounts of $5,000. From her latest email she is doing very well with her studies.
2) We provided $82,920.17 in sponsorships (11) and grants (14) at our Grant’s evening on the 17th April 2018. Over 120 people attended and a great night was enjoyed by all.
3) The Grants night money formed part of $121,426 distributed to the local community by means of donations, sponsorships and community grants and a further $38,021 in shareholder dividends.
4) There was minimal staff turnover. Lisa left as manager to eventually be replaced by me. Emily went on maternity leave and we welcomed Danni as her replacement.

I would like to personally thank all my staff who work hard to ensure we are providing the best service and care to our clients. Special mention to Amy who had to shoulder the burden of looking after the branch while it was between managers. Congratulations to Emily who had a baby boy (Finn) earlier this year.

Thank you also to the Board members for their continued support and encouragement over the last year but, in particular, since I came on board. Volunteer work, while rewarding, is often a thankless task and the amount of behind the scenes work that the board members (in particular Eirys) undertake should never be underestimated. Thank you.

We are looking forward to taking our community involvement to new levels in the coming year and hope that the district will continue to recognise and support the benefits brought by a **Community Bank®** Branch. The **Community Bank®** banking model shouldn’t be misconstrued as suggesting we don’t offer all the services of the big banks. We provide a full suite of consumer and commercial banking products to our clients and according to Roy Morgan Net Trust Survey we are also the #3 most trusted brand in the country. Come in and see how banking with us helps support your local district and all the people within that community.

Brett Marsten
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2018

It's been 20 years since the doors to the first **Community Bank®** branch opened. And it has only been a few months since the latest, the 321st, **Community Bank®** branch opened its doors.

In the last 20 years, much has changed. A staggering 92 per cent of our customers do their banking online and we pay for goods and services on a range of mobile phones, our watches and even our fitness devices. Many are embracing this online world with a sense of excitement and confidence. Our model will be even more accessible to people right across Australia.

Despite the change many things have also remained constant through the last two decades. Commitment within communities remains as strong today as it has ever been; from our first **Community Bank®** branch to the most recent one, and the 319 in between.

This year, five of our Community Bank branches are celebrating 20 years in business. Bendigo Bank has celebrated 160 years in business. We farewelled Managing Director Mike Hirst and welcomed into the MD role long-time Bendigo employee Marnie Baker.

Our **Be the change** online marketing campaign has been the most successful online marketing campaign ever run by our organisation. The premise behind **Be the change** is simple – it thanks individual customers for banking with their **Community Bank®** branch.

But it's not the Bank thanking the customers. It's not the staff, volunteer directors or shareholders thanking the customers. It's the kids from the local little athletics and netball clubs, it's the man whose life was saved by a **Community Bank®** funded defib unit, it's members of the local community choir and the animal rescue shelter. These people whose clubs and organisations have received a share of over $200 million in **Community Bank®** contributions, all because of people banking with their local **Community Bank®** branch.

Be the change has further highlighted the power of the model. For others, customers are important. For our **Community Bank®** network, customer support ensures our point of difference. It's the reason we can share in the revenue generated by their banking business. Without this point of difference, we would be just another bank.

But we're not, we're Bendigo Bank and we're Australia's only *'community bank',* recently named by Roy Morgan Research as Australia's third most trusted brand and most trusted bank. As one of 70,000-plus **Community Bank®** company shareholders across Australia, these are outcomes we hope you too are proud of.

I'd like to thank you for your decision to support your local **Community Bank®** company as a shareholder. Your support has been vitally important to enhancing the prospects and outcomes within your community.

Without you, there would be no **Community Bank®** branch network in Australia.

Bendigo and Adelaide Bank report *(continued)*

For year ending 30 June 2018

We value your initial contribution and your ongoing support of your **Community Bank®** branch and your community. Thank you for continuing to play a role in helping your community **Be the change**.

Robert Musgrove
Bendigo and Adelaide Bank

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:

Stuart Walton Bede Ross
Chairman
Real Estate Agency Principal
Owner/Manager Bremer Valley Realty.
Committees: Sponsorship and Marketing, Planning Day and Property Management
Interest in shares: 2,001

Eirys Mabel Heit
Treasurer
Retired
Former business person, 17 years Rosewood Newsagency and 6 years in own transport company. Treasurer of this board since inception. Member of Lions Club of Rosewood for 23 years and a Lions partner for 18 years before joining the club. Served two terms as President and numerous years as a Director. Served 4 years as Board Chairperson of Cabanda Care Inc. and also served a number of year on the Board. Spent 12 years on school P&C committees. Rosewood Citizen of the Year Award winner
Committees: Audit, Budget, Grants, Property Management and Sponsorship/Marketing/Publicity.
Interest in shares: 5,001

Brian Maxwell Nash
Director
Paramedic
Officer in Charge QAS Rosewood; Humanitarian Overseas Services Medal (East Timor); Holds Bachelor of Health (Emergency Services); Associate Diploma of Applied Sciences; Diploma of Business.
Committees: Planning Day
Interest in shares: 1,001

Kathleen Maree Lenihan
Director
Systems Co-ordinator
Secretary of Rosewood Show Society, Committee member of Ipswich Show Society, and holds a Cert III in Financial Services.
Committees: Grants
Interest in shares: 501

Erin Elizabeth Turner
Director
Business Resource Officer
Studied Marketing, International Business and Accounting. Currently employed at the Ipswich City Council.
Committees: Grants
Interest in shares: 500

Penni Boughen
Company Secretary
Business and IT Analyst
Business and IT Analyst with Master's degrees in both disciplines. Currently studying for a Graduate Diploma of Applied Corporate Governance at the Governance Institute. Vice-chairman of the Cabanda Care Inc., and a member of Rosewood Toastmasters.
Committees: Policy Committee
Interest in shares: 1,667

Bruce Edward Richards
Director
Law Clerk/Paralegal
Paralegal/Assistant Law Firm at present worked in the legal profession for 12 years, Bank employee with National Australia Bank for 19 years, Current Member of Rosewood Lions Club for 19 years, Current Member of Parrot Society of Australia for 32 years, Office supervisor retail organisation 7 years.
Committees: Audit and Policies & Procedures
Interest in shares: Nil

Lisa Lynette Blake
Director *(Appointed 26 October 2017)*
Customer Relationship Manager
Lisa was the former Branch Manager of the Rosewood & District Community Bank Branch until 2017. Lisa has been employed with Bendigo Bank since 2011 and is currently a Customer Relationship Manager within the head office building in Ipswich. Lisa holds a Certificate IV in Financial Services (Finance/Mortgage Broking) and is a Justice of the Peace (Qualified).
Committees: Grant Applications Committee, PR, Marketing and Sponsorship Committee and Property Management Committee.
Interest in shares: 500

Alan Leslie Price
Ex-Chairman *(Deceased 8 March 2018)*
Retired
Former Business Owner/ Manager Produce Business 27 years. Transport Business 25 years. Past member Marburg Pacing Association. Member Commercial Vehicle Association Qld Inc. Member U3A Boonah.
Committees: Sponsorship/Marketing/Publicity, Budget, Audit and Property Management
Interest in shares: 2,001

Sonya Perkins
Director *(Appointed 22 February 2018, Resigned 20 July 2018)*
Property Manager
Property manager for Bremer Valley Realty and First National Action Realty.
Committees: Sponsorship/Marketing/Publicity, Planning Day and Property Management.
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 Penni Boughen. Penni was appointed to the position of secretary on 4 December 2014.

Penni is a Business and IT Analyst with Master's degrees in both disciplines. Currently studying for a Graduate Diploma of Applied Corporate Governance at the Governance Institute. Vice-chairman of the Cabanda Care Inc., member of the Australian Institute of Company Directors, Brisbane Executive Club and Rosewood Toastmasters.

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 $
37,514	65,088

Dividends

	Year ended 30 June 2018 Cents	$
Dividends paid in the year	7	38,021

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 notes 19 and 21 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		Sponsorship Marketing Publicity	Planning Day	Property Management	Grants	AGM
	Eligible	Attended	Attended	Attended	Attended	Attended	Attended
Stuart Walton Bede Ross	11	11	11	1	11	-	1
Eirys Mabel Heit	11	11	11	1	11	1	1
Brian Maxwell Nash	11	6	-	-	-	-	1
Kathleen Maree Lenihan	11	9	4	1	5	1	1
Erin Elizabeth Turner	11	5	1	-	1	-	-
Penni Boughen	11	10	-	-	1	-	1
Bruce Edward Richards	11	8	-	1	-	-	1
Lisa Lynette Blake^	7	6	4	1	6	1	1
Sonya Perkins*	5	4	2	1	3	-	-
Alan Price *(Deceased 8 March 2018)*	7	3	3	-	3	-	1

* *(Appointed 22 February, Resigned 27 July 2018)*
^ *(Appointed 26 October 2017)*

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

Signed in accordance with a resolution of the board of directors at Rosewood, Queensland on 10 August 2018.

Stuart Walton Bede Ross, 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 Rosewood & District Financial Services Limited

As lead auditor for the audit of Rosewood & District 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: 10 August 2018

David Hutchings
Lead Auditor

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Taxation | Audit | Business Services

Financial statements

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

	Notes	2018 $	2017 $
Revenue from ordinary activities	4	746,921	688,065
Employee benefits expense		(347,588)	(341,576)
Charitable donations, sponsorship, advertising and promotion		(137,832)	(66,762)
Occupancy and associated costs		(72,474)	(67,721)
Systems costs		(19,487)	(18,501)
Depreciation and amortisation expense	5	(24,265)	(23,938)
Finance costs	5	(9,865)	(10,452)
General administration expenses		(72,465)	(67,176)
Loss on disposal/impairment loss		-	(1,055)
Procedural errors		(10,978)	(1,107)
Profit before income tax expense		**51,967**	**89,777**
Income tax expense	6	(14,453)	(24,689)
Profit after income tax expense		**37,514**	**65,088**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**37,514**	**65,088**
Earnings per share		¢	¢
Basic earnings per share	23	6.91	11.98

The accompanying notes form part of these financial statements

Financial statements *(continued)*

Balance Sheet
as at 30 June 2018

	Notes	2018 $	2017 $
ASSETS			
Current assets			
Cash and cash equivalents	7	94,136	109,413
Trade and other receivables	8	25,486	36,137
Current tax asset	12	7,515	-
Assets held for sale	9	423,976	-
Total current assets		**551,113**	**145,550**
Non-current assets			
Property, plant and equipment	10	80,610	512,218
Intangible assets	11	66,551	80,107
Total non-current assets		**147,161**	**592,325**
Total assets		**698,274**	**737,875**
LIABILITIES			
Current liabilities			
Trade and other payables	13	10,825	19,796
Current tax liabilities	12	-	12,944
Borrowings	14	31,258	30,905
Total current liabilities		**42,083**	**63,645**
Non-current liabilities			
Borrowings	14	180,722	202,184
Deferred tax liabilities	12	8,878	4,948
Total non-current liabilities		**189,600**	**207,132**
Total liabilities		**231,683**	**270,777**
Net assets		**466,591**	**467,098**
EQUITY			
Issued capital	15	522,995	522,995
Accumulated losses	16	(56,404)	(55,897)
Total equity		**466,591**	**467,098**

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		522,995	(82,964)	440,031
Total comprehensive income for the year		-	65,088	65,088
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	(38,021)	(38,021)
Balance at 30 June 2017		**522,995**	**(55,897)**	**467,098**
Balance at 1 July 2017		522,995	(55,897)	467,098
Total comprehensive income for the year		-	37,514	37,514
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	(38,021)	(38,021)
Balance at 30 June 2018		**522,995**	**(56,404)**	**466,591**

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		825,444	747,862
Payments to suppliers and employees		(738,566)	(635,949)
Interest received		899	6
Interest paid		(9,865)	(10,452)
Income taxes paid		(30,982)	(15,325)
Net cash provided by operating activities	17	**46,930**	**86,142**
Cash flows from investing activities			
Payments for property, plant and equipment		(3,077)	(3,623)
Net cash used in investing activities		**(3,077)**	**(3,623)**
Cash flows from financing activities			
Proceeds from borrowings		-	22,950
Repayment of borrowings		(21,109)	(18,261)
Dividends paid	21	(38,021)	(38,021)
Net cash used in financing activities		**(59,130)**	**(33,332)**
Net increase/(decrease) in cash held		**(15,277)**	**49,187**
Cash and cash equivalents at the beginning of the financial year		109,413	60,226
Cash and cash equivalents at the end of the financial year	7(a)	**94,136**	**109,413**

The accompanying notes form part of these financial statements

Notes to the financial statements

For the year ending 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)*

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 $179,298, on an undiscounted basis (see Note 17).

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 Rosewood, 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.

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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 in relation to:

- advice and assistance in relation to the 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.

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).

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

b) Revenue *(continued)*

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

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 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:

- buildings	40	years
- 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) 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.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

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.

Note 4. Revenue from ordinary activities

	2018	2017
	$	$
Operating activities:		
- gross margin	572,424	529,603
- services commissions	48,890	58,907
- fee income	58,646	61,952
- market development fund	35,000	35,000
Total revenue from operating activities	714,960	685,462
Non-operating activities:		
- interest received	993	6
- rental revenue	30,968	2,597
Total revenue from non-operating activities	31,961	2,603
Total revenues from ordinary activities	746,921	688,065

Notes to the financial statements *(continued)*

Note 5. Expenses	2018	2017
	$	$
Depreciation of non-current assets:		
- plant and equipment	2,599	6,844
- leasehold improvements	3,762	3,538
- buildings	4,348	-
Amortisation of non-current assets:		
- franchise agreement	2,260	2,259
- franchise renewal fee	11,296	11,297
	24,265	23,938
Finance costs:		
- interest paid	9,865	10,452
Bad debts	6,226	77
Loss on disposal	-	1,055
Procedural errors	10,978	1,107

During the 2017/18 financial year a major procedural error occurred. Rosewood & Disrtict Financial Services were required to contribute $9,478.90 towards resolving the issue.

Note 6. Income tax expense		
The components of tax expense comprise:		
- Current tax	10,523	23,128
- Movement in deferred tax	3,930	1,561
	14,453	24,689
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	51,967	89,777
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	14,291	24,689
Add tax effect of:		
- non-deductible expenses	162	290
- timing difference expenses	(3,930)	(1,851)
	10,523	23,128
Movement in deferred tax	3,930	1,561
	14,453	24,689

Notes to the financial statements *(continued)*

Note 7. Cash and cash equivalents	2018	2017
	$	$
Cash at bank and on hand	94,136	109,413

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	94,136	109,413

Note 8. Trade and other receivables		
Trade receivables	18,920	28,546
Prepayments	5,421	5,599
Other receivables and accruals	1,145	1,992
	25,486	36,137

Note 9. Current assets held for sale		
Assets held for sale	423,976	-

The company decided, during the 2017/18 financial year, to sell the property at 26 John St. A sales agent has been appointed and the property is being actively marketed for sale.

Note 10. Property, plant and equipment		
Buildings		
At cost	-	453,936
Less accumulated depreciation	-	(25,612)
	-	428,324
Leasehold improvements		
At cost	156,500	156,500
Less accumulated depreciation	(92,258)	(88,496)
	64,242	68,004
Plant and equipment		
At cost	51,753	48,676
Less accumulated depreciation	(35,385)	(32,786)
	16,368	15,890
Total written down amount	80,610	512,218

Note 10. Property, plant and equipment *(continued)*	2018	2017
	$	$
Movements in carrying amounts:		
Buildings		
Carrying amount at beginning	428,324	432,672
Less: depreciation expense	(4,348)	(4,348)
Carrying amount at end	423,976	428,324
Leasehold improvements		
Carrying amount at beginning	68,004	68,951
Additions	-	3,123
Disposals	-	(1,180)
Less: depreciation expense	(3,762)	(2,890)
Carrying amount at end	64,242	68,004
Plant and equipment		
Carrying amount at beginning	15,890	17,229
Additions	3,077	1,680
Less: depreciation expense	(2,599)	(3,019)
Carrying amount at end	16,368	15,890
Total written down amount	504,586	512,218

Note 11. Intangible assets		
Franchise fee		
At cost	32,867	32,867
Less: accumulated amortisation	(27,407)	(25,147)
	5,460	7,720
Renewal processing fee		
At cost	114,337	114,337
Less: accumulated amortisation	(87,036)	(75,740)
	27,301	38,597
Goodwill on purchase of agency		
At cost	33,790	33,790
Total written down amount	66,551	80,107

Note 12. Tax	2018	2017
	$	$
Current:		
Income tax payable/(refundable)	(7,515)	12,944
Non-Current:		
Deferred tax assets		
- accruals	770	1,018
	770	1,018
Deferred tax liability		
- accruals	90	-
- property, plant and equipment	9,558	5,966
	9,648	5,966
Net deferred tax liability	(8,878)	(4,948)
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	3,930	(4,948)

Note 13. Trade and other payables		
Trade creditors	378	473
Other creditors and accruals	10,447	19,323
	10,825	19,796

Note 14. Borrowings		
Current:		
Bank loans	31,258	30,905
Non-Current:		
Bank loans	180,722	202,184

The bank loan is repayable monthly with the final instalment due in August 2025. The bank loan changed from interest only to principle and interest on 11 March 2015. Interest is recognised at an average rate of 4.26% (2017: 4.35%). The loan is secured by a fixed and floating charge over the company's assets.

Note 15. Issued capital	2018	2017
	$	$
543,160 ordinary shares fully paid (2017: 543,160)	543,160	543,160
Less: equity raising expenses	(20,165)	(20,165)
	522,995	522,995

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.

Note 15. Issued capital *(continued)*

Prohibited shareholding interest *(continued)*

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. Accumulated losses

	2018 $	2017 $
Balance at the beginning of the financial year	(55,897)	(82,964)
Net profit from ordinary activities after income tax	37,514	65,088
Dividends paid or provided for	(38,021)	(38,021)
Balance at the end of the financial year	(56,404)	(55,897)

Note 17. 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	37,514	65,088
Non cash items:		
- depreciation	10,709	10,382
- amortisation	13,556	13,556
Changes in assets and liabilities:		
- (increase)/decrease in receivables	10,651	(9,140)
- (increase)/decrease in other assets	(7,515)	-
- increase/(decrease) in payables	(8,971)	(3,108)
- increase/(decrease) in current tax liabilities	(9,014)	9,364
Net cash flows provided by operating activities	46,930	86,142

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	46,773	2,657
- between 12 months and 5 years	132,525	-
- greater than 5 years	-	-
	179,298	2,657

The branch premises lease is a non-cancellable lease with a five-year term, with rent payable monthly. Lease was renewed on the 1 April 2017 and has two 5 year options to entend the lease.

Note 19. Auditor's remuneration		
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,400	5,300
- share registry services	3,619	3,327
- non audit services	2,148	1,960
	10,167	10,587

Note 20. Director and related party disclosures

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

Stuart Walton Bede Ross
Eirys Mabel Heit
Brian Maxwell Nash
Kathleen Maree Lenihan
Erin Elizabeth Turner
Penni Boughen
Bruce Edward Richards
Lisa Lynette Blake *(Appointed 26 October 2017)*
Sonya Perkins *(Appointed 22 Feb 2018, Resigned 27 July 2018)*
Alan Leslie Price *(Deceased 8 March 2018)*

No director's fees have been paid as the positions are held on a voluntary basis.

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

	2018	2017
Transactions with related parties:	$	$
Stuart Ross is the owner of the real estate business which provided property management services for the branch premises during the period under review.	1,248	750
Penni Boughen is a part owner in an electrical company that provided electrical maintenance services to the branch premises during the prior period.	2,537	654

Note 20. Director and related party disclosures *(continued)*

Directors Shareholdings	2018	2017
Stuart Walton Bede Ross	2,001	2,001
Eirys Mabel Heit	5,001	5,001
Brian Maxwell Nash	1,001	1,001
Kathleen Maree Lenihan	501	501
Erin Elizabeth Turner	500	500
Penni Boughen	1,667	1,667
Bruce Edward Richards	-	-
Lisa Lynette Blake *(Appointed 26 October 2017)*	500	-
Sonya Perkins *(Appointed 22 Feb 2018, Resigned 27 July 2018)*	-	-
Alan Leslie Price *(Deceased 8 March 2018)*	2,001	2,001

There was no other movemenet 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 - 7 cents (2017: 7 cents) per share	38,021	38,021

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

	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	20,833	4,274
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	(7,515)	12,944
- 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:	13,318	17,218
- 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	13,318	17,218

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.

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 Rosewood & District, 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 $287 for the year ended 30 June 2018 (2017: $287).

Note 23. Earnings per share

	2018	2017
	$	$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	37,514	65,088
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	543,160	543,160

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.

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 Rosewood and surrounding districts of 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
30A John Street	30A John Street
ROSEWOOD QLD 4340	ROSEWOOD QLD 4340

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: 1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average	
	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 %	2017 %
Financial assets												
Cash and cash equivalents	94,136	109,413	-	-	-	-	-	-	-	-	0.85	0.01
Receivables	-	-	-	-	-	-	-	-	18,920	28,546	N/A	N/A
Financial liabilities												
Interest bearing liabilities	211,980	233,089	-	-	-	-	-	-	-	-	4.26	4.35
Payables	-	-	-	-	-	-	-	-	378	473	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%	(1,178)	(1,237)
Decrease in interest rate by 1%	1,178	1,237
Change in equity		
Increase in interest rate by 1%	(1,178)	(1,237)
Decrease in interest rate by 1%	1,178	1,237

Directors' declaration

In accordance with a resolution of the directors of Rosewood & District 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.

Stuart Walton Bede Ross, Chairman

Signed on the 10th of August 2018.

AFS
Partners in success
Chartered Accountants

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Independent auditor's report to the members of Rosewood & District Financial Services Limited

Report on the audit of the financial statements

Our opinion
In our opinion, the financial report of Rosewood & District 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
Rosewood & District 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: 10 August 2018

David Hutchings
Lead Auditor

Notes

Notes

Rosewood & District **Community Bank®** Branch
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