

# Annual Report 2017

Redlands Community Financial  
Services Limited

ABN: 52 116 190 875

Victoria Point Community Bank® Branch & Cleveland Customer Service Centre

Redlands Community Financial Services Ltd acknowledges the Traditional Owners; the Quandamooka people; their continuing connection to land, sea and community. We pay our respects to them and their cultures, and to the Elders both past, present and emerging.



Cover photo: with permission from and our thanks and recognition to the artist: Belinda Close



# Chairman's report

On behalf of the Board of Directors, Manager Justine Kennedy and our branch team, it is my pleasure to provide our Annual Report for the 2016/17 financial year.

## Staff Performance

Of note is yet another disciplined, significant, qualitative contribution from the branch team. Year-on-year Justine leads by example. The team as a whole works closely with Justine and work well together to find the right balance to ensure more time is spent on qualitative actions and methods than quantitative. They lead the way, on their initiative, with giving of their own time to ensure our community investment. They were recognised by Bendigo Bank this year for their contribution of over 800 hours of voluntary service annually.

The outcomes from the team's own time invested in the community could easily be measured in quantity or by the number of events attended and their duration for example. What is difficult to measure is the impact our team have as they, in a professional yet relaxed manner, support a diverse range of community organisations through meaningful contributions that emphasise our point of difference and our strengths. Why is this difficult to measure?

Unlike changing your mind about what to have for dinner, changing banks often involves waiting for years to reduce break fees or to save sufficient funds for a deposit. This means the impact of the investment our team makes through meaningful relationships and contributions cannot be known or measured for years.

As Chairman then, how can I be sure we are investing ourselves, our time and our funds wisely if I cannot put a monthly report to the Board that shows in simple terms, the value and impact of that effort? We all have to take and trust in the longer-term view and measures. This is one of the unique components of the **Community Bank®** model. What I look for and what we can evidence is:

- A growing and broadening list of stakeholders involved, and I use the term involved deliberately in our work as a **Community Bank®** branch.
- An increasing pool of stakeholders with a working knowledge of the **Community Bank®** model and the long-term benefits.
- Long-term partners such as the Redlands Hockey Association. We have been a sponsor for 10 years now, since their inaugural year.
- We are a wanted business and our team receive recognition locally, regionally, in the State and Nationally amongst the other **Community Bank®** branches; often receiving requests or invitations to lead or participate in training of, or presenting to others.
- Positive contrasts with other networks on social media, where we are able to share our stories and our successes.
- Our knowledge base of the team broadly is deepening and readily shared because our team stays with us for the long-term. Justine has been with the network in excess of 13 years and Jane and Karen for more than 8 years. Directors are also notching up significant milestones. As I wrote earlier, these are quantity, yes. I have the advantage and opportunity to assess and evidence the quality of the contributions, individually and collectively.
- We continue to be recognised by our peers and by our franchise partner, Bendigo and Adelaide Bank.
- We successfully break new ground in the **Community Bank®** network throughout Australia.
- Our team are empowered and importantly, motivated to support one another and are fully equipped and skilled to take on more than what is expected of them.

Our team in Victoria Point and Cleveland understand this and despite the trials, tribulations and daily grind we all face from time to time, they hold the long-term outcomes near to their hearts, and are disciplined and committed to the model, to our community and the qualitative outcomes. They truly deserve the recognition they receive from their peers and we congratulate the team whole-heartedly!

### **Business Performance**

The Cleveland Service Centre and partnership with Robins Accountants has proven to be more successful than expected exceeding the budgeted growth. This growth has occurred due to hard work, consistency and behind the scenes work, not the least of which is the commitment shown to the partnership by Robins' partners and team.

As mentioned in previous Annual Reports, the Victoria Point **Community Bank®** Branch continues to be affected by 'churn' which is typical of a branch that is 10 years or older. The Victoria Point **Community Bank®** Branch will be 12 on 15 December this year. Despite the churn our overall footings have grown which is again, recognition of the branch team.

As shareholders, I hope you too are proud of the achievements of Justine and her team. You certainly should be and we invite you to take every opportunity when with others in the community to reflect on their work and to socialise that the outcomes are more than money can buy. Last year I forecast the company's performance for the 2016/17 financial year would be much like the 2015/16 year. I indicated there would be an exception; being how profit is shared between Bendigo and Adelaide Bank and our Redlands Community Financial Services Limited (RCFSL). Profit share changed to the Funds Transfer Pricing (FTP) method and our margin income would be significantly less.

Bendigo and Adelaide Bank provided a 'floor' to ensure our margin income was supplemented and the floor was to be available for up to three years. Another recognition of the work of the branch team, is that we stopped receiving the floor during the first year and this is due to them working smarter, ensuring a broader product base is available to and considered by customers and, the excellent results from Cleveland.

The **Community Bank®** National Council, a council that sets strategy nationally for all **Community Bank®** companies, is about to commence a review of the model constitution, with a focus on the 'local' model and how to ensure shareholdings remain local too. It will also focus on improved opportunities to facilitate the sale of shares. If you are a shareholder seeking to sell shares, you have an obligation to promote the **Community Bank®** model and encourage investment in our **Community Bank®** company.

We have, for the first time, distributed franked dividends. This should engender a sense of the resilience of our company.

We have a major milestone approaching in the last quarter of 2017. On December 4 we will open the Wynnum Manly **Community Bank®** Branch. Wynnum Manly will be the 319<sup>th</sup> **Community Bank®** branch nationally. In terms of social, business and community development and investment, there has been a softening of the boundaries on the bayside as evidenced by community organisations such as Redland Community Centre, STAR Community Transport, Redlands Centre for Women, Wynnum Netball Association, to name a few. Redland City Council also recognises these boundaries are changing and are a co-sponsor of the Wynnum Seagulls Rugby League team.

RCFSL Reconciliation Action Plan recognises the Quandamooka People as the traditional owners of the land and Quandamooka country extends from Wynnum Manly through Redlands to the South. Some of the branch team and one of our Directors now live in or near Wynnum Manly.

Justine and I met with community and business leaders in the Wynnum Manly area and continue to have open dialogue around the **Community Bank®** concept, subsequent community investment, the points of difference and value added reasons for opening the branch.

We have already been included in regular community and business events in the Wynnum Manly area and I was invited to sit on the panel assessing the Federal Government's Stronger Communities grants for 2017. In summary, we have hit the ground running and look forward to applying all the **Community Bank®** principles in Wynnum Manly from December.

Also in recognition of our increased business size, our activity and Justine's performance year-on-year, Justine has been promoted to a Senior Manager and will oversee all operations at the Agency on Macleay Island, the Cleveland Customer Service Centre and the Victoria Point and Wynnum Manly **Community Bank®** branches, a well-deserved and long overdue promotion.

Those who have met Justine and attended an Annual General Meeting know it is quite a challenge for her to read her report. The team is so special to her and it is quite difficult for her to speak without deep emotion. So this year I offered to convey the Manager's report and true to form, Justine is praising our team.

Like me, Justine finds it hard to say just the right words to thank our amazing team. Words don't seem enough. Justine says, "Our team are without doubt the most dedicated, passionate and loyal people I know. They are the reason we make great things happen for our customers and community. Each one brings something different to our team ie; the ability to comfort people who have lost someone, the uncanny ability to talk to themselves all day, the person that keeps us all calm and the joker to name a few precious traits."

Justine and the team are openly proud of the growth in footings, which was \$10.7million for the year; well over budget and the 7th year in a row that we exceeded our growth budget! Justine also notes that, "Cleveland has been a huge success and it is all because of the staff dedication to give new things a go and always look after our customers. The pressures have been great this year with the Cleveland opening and the planning and project work for the Wynnum Manly Branch. As always; the staff rise to the challenge and I am so very grateful."

Over the last 12 months, there has been welcome news nationally and it is clearer than ever, that the Board and branch team are part of a 'bigger picture'. Customer service across the **Community Bank®** network has been recognised with national awards. The model where we return prosperity to our 'village' instead of feeding off prosperity is a world-leading practice and a unique offer. Our other points of difference are local investment, local decision-making and local ownership.

Bendigo and Adelaide Bank is the 5<sup>th</sup> largest bank in Australia. Recently, new research from Roy Morgan shows that customer satisfaction with Bendigo Bank in August 2017 was 89.3%, making it the top performer among the ten largest consumer banks. Not only was Bendigo the satisfaction leader but it improved it's rating over the month by 0.9% points, against an overall decline of 0.2% points for banks in total.

Further, Bendigo and Adelaide Bank has been named at number 13 on Fortune magazine's Change the World list. The Change the World list recognises companies that have had a positive social impact through activities that are part of their core business strategy.

What we do makes a tangible, relevant meaningful difference. We hope, at every opportunity, you too will commend the **Community Bank®** model and when next in the branch, congratulate our team as well.

Faithfully,

A handwritten signature in black ink, appearing to read 'Garry W', written over a light blue rectangular background.

Garry White  
Chairman

# Redlands Community Financial Services Limited

ABN: 52116190875

Financial Statements

30 June 2017

# Redlands Community Financial Services Limited

## Directors' Report

Your directors submit the financial statements of the company for the financial year ended 30 June 2017.

### Directors

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

Garry Francis White

Chairman

Occupation: Full-time Volunteer

Qualifications, experience and expertise: Garry has been involved with Redlands CSFL as a shareholder during the initial prospectus, and on sub-committees and/or as a Director since November 2006. Garry was appointed as a member of the Community Bank National Council (CBNC), as the Queensland Representative, in July 2015. After nearly 35 years in the aviation industry, Garry has a depth of experience in Risk Management, Business Continuity, Work Health Safety and Governance. Garry is a valued member of the CBNC and has developed a broad and in-depth knowledge of the Community Bank model and principles. From over 40 years active participation as a volunteer, Garry has leadership and management skills relevant to community based organisations.

Special responsibilities: Chairman, Audit and Marketing sub-committees.

Interest in shares: 10,003

Dulise Coral Maxwell

Deputy Chair

Occupation: Management Consultant

Qualifications, experience and expertise: Based on 30+ years of corporate experience mostly in council roles; Dulise provides three main services to her clients - who range from solopreneurs to large corporate and government entities. These services include; Coaching executives and managers to excel, facilitating their strategic planning and consulting on developing and delivering organisational development strategies including executive leadership clients. In addition Dulise provides her services pro bono, particularly to support women entering or returning to the workforce.

Special responsibilities: Deputy Chair

Interest in shares: Nil

Christopher Francis Webster

Secretary

Occupation: Retired

Qualifications, experience and expertise: Christopher worked as a technical officer with Telstra until 1998 (30 years), and also worked as a retail sales assistant for 5 years (1998-2003) and Admin/Bookkeeping part time since 2003. Since 2001 Christopher volunteered with World Vision (2001-2009), Parkinson's Queensland (2006), Boystown (2007-2014), Circle of Men (2010-2011) and Vitae (2015-2016). Christopher currently volunteers with the Community Visitors Scheme (aged care) since 2010, Wynnum State School since 2011 and Cleveland High School since 2015. Christopher is also a life member of the Capalaba State College Amateur Swimming Club and a life member of Tennis Officials Australia.

Special responsibilities: Nil

Interest in shares: 10,500

Arnal Pravikash Chand

Director

Occupation: Legal Officer

Qualifications, experience and expertise: Former Law Graduate at a Family Law firm. Currently employed as a Legal Officer. Arnal is completing a Bachelor of Law and Bachelor of Commerce (Accounting) at the University of Queensland. Arnal is a community volunteer which includes student tutoring and electoral support officer.

Special responsibilities: Marketing committee.

Interest in shares: Nil

# Redlands Community Financial Services Limited

## Directors' Report

### Directors (*continued*)

John James Goodwin

Director

Occupation: State Manager - Community Sector Banking

Qualifications, experience and expertise: Community Sector Banking Specialist. Social and affordable housing and community lending. Former Credit Manager and Mercantile agent. Past President of Victoria Point Sharks Junior Cricket Club.

Special responsibilities: Nil

Interest in shares: Nil

Bill Joe Parkes

Director

Occupation: Accountant

Qualifications, experience and expertise: Bill holds a Bachelor of business and a bachelor of applied science (Mathematics).

He has been a qualified CPA since April 2005 and a public practicing CPA and a Registered agent since April 2013.

Special responsibilities: Nil

Interest in shares: Nil

Rebecca Joan Fox

Director (*Appointed 28 July 2016*)

Occupation: Director - Coach

Qualifications, experience and expertise: Rebecca Fox is an experienced business woman, is a leadership and business coach, teacher and trainer. Bec has a Masters in Education and qualified as Meta Dynamics Coach and EDISC profiler and International Coaching. Bec has worked with a business for over two decades in the community. She has volunteered on a number of boards including Queensland Outdoor Recreation Federation and Australian Camps Association. She is currently the President of the Australian Camps Association Board of Directors.

Special responsibilities: Nil

Interest in shares: Nil

Beau Dene Hodge

Director (*Appointed 27 April 2017*)

Occupation: Senior Associate - Corporate Finance

Qualifications, experience and expertise: I have substantial experience in banking and financial services, corporate finance and impact investing focussing on driving Indigenous outcomes. I currently work with Indigenous Business Australia driving the national tourism and retail growth strategies while also contributing to IBA's Renewable strategy. As a sustainable economics professional I have a passion for both commercial and social enterprises and have volunteered with Indigenous housing and non-for-profit organisations, assisting them to meet their economic and social goals. I also volunteer for the Queensland Government's "M4G Mentoring for Growth" program, supporting enterprises in the high growth phase of their business providing assistance/advice in addressing their commercial challenges.

Special responsibilities: Nil

Interest in shares: Nil

David John McGovern

Director (*Resigned 19 September 2016*)

Occupation: Director - Catholic Mission

Qualifications, experience and expertise: David is a trained journalist and public relations practitioner, and is also a qualified Primary School teacher. David has developed extensive fundraising experience and networking skills, working in the charity/NFP sector. David helped raise the profile of the branch through the distribution of releases to local media and providing content for the social media outlets of the branch.

Special responsibilities: Marketing Committee.

Interest in shares: Nil

# Redlands Community Financial Services Limited

## Directors' Report

### Directors (*continued*)

James Andrew McNamara

Director (*Resigned 28 July 2016*)

Occupation: Self Employed Consultant

Qualifications, experience and expertise: James McNamara has a Bachelor's Degree in Commerce and runs his own boutique consulting firm called The Impact Factory. James's primary focus is leadership and teaching business people how to get others to willingly follow their lead. James is a skilled keynote presenter, group facilitator and coach. He has a keen mind for sales and marketing and often works with business owners to help them build and expand their businesses. James has a keen interest in grass roots community development initiatives and has been involved in a previous charity event to raise food for those in need.

Special responsibilities: Marketing Committee.

Interest in shares: Nil

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

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

### Company Secretary

The company secretary is Christopher Francis Webster. Christopher was appointed to the position of secretary on 28 May 2015. Refer to above for Chris' qualifications, experience and expertise.

### 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 2017	Year ended 30 June 2016
\$	\$
46,023	53,085

	Year ended 30 June 2017	
Dividends	Cents	\$
Dividends paid in the year	3	20,379

### 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.

# Redlands Community Financial Services Limited

## Directors' Report

### Events since the end of the financial year

Redlands Community Financial Services Limited are opening a new Community Bank branch in Decembre 2017; located at Wynnum. 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 shareholder 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	
	<u>Eligible</u>	<u>Attended</u>
Garry Francis White	11	11
Dulise Coral Maxwell	11	6
Christopher Francis Webster	11	11
Arnal Pravikash Chand*	11	5
John James Goodwin	11	10
Bill Joe Parkes	11	8
Rebecca Joan Fox ( <i>Appointed 28 July 2016</i> )	11	7
Beau Dean Hodge ( <i>Appointed 27 April 2017</i> )	3	3
David John McGovern ( <i>Resigned 19 September 2016</i> )	2	1
James Andrew McNamara ( <i>Resigned 28 July 2016</i> )	-	-

\* Approved leave of absence Feb - April 2017

# Redlands Community Financial Services Limited

## Directors' Report

### 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 Victoria Point, Queensland on 22 September 2017.



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Garry Francis White, Chairman

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

As lead auditor for the audit of Redlands Community Financial Services Limited for the year ended 30 June 2017, 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: 22 September 2017



**David Hutchings**  
Lead Auditor

Redlands Community Financial Services Limited  
Statement of Profit or Loss and Other  
Comprehensive Income  
for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue from ordinary activities	4	917,398	875,362
Employee benefits expense		(514,135)	(467,678)
Charitable donations, sponsorship, advertising and promotion		(86,247)	(77,292)
Occupancy and associated costs		(57,498)	(60,516)
Systems costs		(17,196)	(16,514)
Depreciation and amortisation expense	5	(41,199)	(45,304)
General administration expenses		(130,801)	(132,813)
<b>Profit before income tax expense</b>		<b>63,822</b>	<b>75,245</b>
Income tax expense	6	(17,799)	(22,160)
<b>Profit after income tax expense</b>		<b>46,023</b>	<b>53,085</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>46,023</b>	<b>53,085</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
Basic earnings per share	23	6.77	7.81

The accompanying notes form part of these financial statements

Redlands Community Financial Services Limited  
Balance Sheet  
as at 30 June 2017

	Notes	2017 \$	2016 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	431,192	476,607
Trade and other receivables	8	50,174	52,290
<b>Total Current Assets</b>		<b>481,366</b>	<b>528,897</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	185,412	175,919
Intangible assets	10	51,810	65,503
Deferred tax asset	11	6,203	6,541
<b>Total Non-Current Assets</b>		<b>243,425</b>	<b>247,963</b>
<b>Total Assets</b>		<b>724,791</b>	<b>776,860</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	31,978	128,274
Current tax liabilities	11	22,822	5,361
Borrowings	13	90,000	90,000
Provisions	14	22,269	14,978
<b>Total Current Liabilities</b>		<b>167,069</b>	<b>238,613</b>
<b>Non-Current Liabilities</b>			
Provisions	14	-	6,169
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>6,169</b>
<b>Total Liabilities</b>		<b>167,069</b>	<b>244,782</b>
<b>Net Assets</b>		<b>557,722</b>	<b>532,078</b>
<b>Equity</b>			
Issued capital	15	642,560	642,560
Accumulated losses	16	(84,838)	(110,482)
<b>Total Equity</b>		<b>557,722</b>	<b>532,078</b>

The accompanying notes form part of these financial statements

Redlands Community Financial Services Limited  
Statement of Changes in Equity  
for the year ended 30 June 2017

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2015	642,560	(143,188)	499,372
Total comprehensive income for the year	-	53,085	53,085
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(20,379)	(20,379)
Balance at 30 June 2016	642,560	(110,482)	532,078
Balance at 1 July 2016	642,560	(110,482)	532,078
Total comprehensive income for the year	-	46,023	46,023
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(20,379)	(20,379)
Balance at 30 June 2017	642,560	(84,838)	557,722

The accompanying notes form part of these financial statements

Redlands Community Financial Services Limited  
Statement of Cash Flows  
for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,001,208	952,446
Payments to suppliers and employees		(899,517)	(806,867)
Interest received		6,426	7,768
Interest paid		(6,500)	-
<b>Net cash provided by operating activities</b>	<b>17</b>	<b>101,617</b>	<b>153,347</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(122,153)	(6,116)
Payments for intangible assets		(4,500)	(72,281)
<b>Net cash used in investing activities</b>		<b>(126,653)</b>	<b>(78,397)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	90,000
Dividends paid		(20,379)	(20,379)
<b>Net cash provided by/(used in) financing activities</b>		<b>(20,379)</b>	<b>69,621</b>
<b>Net increase/(decrease) in cash held</b>		<b>(45,415)</b>	<b>144,571</b>
Cash and cash equivalents at the beginning of the financial year		476,607	332,036
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<b>431,192</b>	<b>476,607</b>

The accompanying notes form part of these financial statements

# Redlands Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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### Note 1. Summary of significant accounting policies

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#### 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 Standard Boards 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 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 Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2016, and are therefore relevant for the current financial year.

None of these amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

There are also a number of accounting standards and interpretations issued by the Australian Accounting Standards Board (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 2016. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

Only AASB 16 Leases, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. This revised standard will require the branch lease to be capitalised.

#### *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 Victoria Point and the Customer Service Centre, Cleveland, Queensland.

The branch and service centre operate 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 and service centre, on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the Community Bank® branch and service centre are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

# Redlands Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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#### a) Basis of preparation (*continued*)

##### *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 and service centre 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 and service centre
- training for the branch managers 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).

##### *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.

# Redlands Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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#### b) Revenue (*continued*)

##### *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.

# Redlands Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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**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 unpaid (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 consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

# Redlands Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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**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 company 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 excess.

**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	40	years
- plant and equipment	2.5 - 40	years
- furniture and fittings	4 - 40	years
- motor vehicles	3 - 5	years

# Redlands Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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#### 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.

##### *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*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

##### *Impairment*

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

# Redlands Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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**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 or 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) Contributed equity**

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.

# Redlands Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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### Note 2. Financial risk management

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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 and Bendigo and Adelaide Bank Limited.

#### (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 are 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 2017 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.

# Redlands Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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### Note 3. Critical accounting estimates and judgements

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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 un-recouped 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 consolidated 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.

# Redlands Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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

#### *Impairment of assets*

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	2017	2016
	\$	\$
Operating activities:		
- gross margin	726,557	584,722
- services commissions	71,354	158,227
- fee income	75,671	71,186
- market development fund	35,000	50,000
Total revenue from operating activities	<u>908,582</u>	<u>864,135</u>
Non-operating activities:		
- interest received	8,279	7,591
- other revenue	537	3,636
Total revenue from non-operating activities	<u>8,816</u>	<u>11,227</u>
Total revenues from ordinary activities	<u>917,398</u>	<u>875,362</u>

### Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	20,497	29,934
- leasehold improvements	730	730
- furniture and fittings	1,086	1,528
- motor vehicles	693	-
Amortisation of non-current assets:		
- franchise agreement	6,759	2,186
- franchise renewal fee	11,434	10,926
	<u>41,199</u>	<u>45,304</u>
Bad debts	<u>1,607</u>	<u>1,987</u>
Loss on disposal of asset	<u>-</u>	<u>12,111</u>

# Redlands Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

Note 6. Income tax expense	2017	2016
	\$	\$
The components of tax expense comprise:		
- Current tax	17,461	5,361
- Movement in deferred tax	338	(1,038)
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	238
- Recoupment of prior year tax losses	-	17,599
	<u>17,799</u>	<u>22,160</u>

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows

Operating profit	63,822	75,246
Prima facie tax on profit from ordinary activities at 27.5% (2016: 28.5%)	17,551	21,445
Add tax effect of:		
- non-deductible expenses	248	477
- timing difference expenses	(338)	1,038
	<u>17,461</u>	<u>22,960</u>
Movement in deferred tax	338	(1,038)
Adjustment to deferred tax to reflect change of tax rate in future periods	-	238
	<u>17,799</u>	<u>22,160</u>

Note 7. Cash and cash equivalents		
Cash at bank and on hand	100,688	150,408
Term deposits	330,504	326,199
	<u>431,192</u>	<u>476,607</u>

### 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	100,688	150,408
Term deposits	330,504	326,199
	<u>431,192</u>	<u>476,607</u>

Note 8. Trade and other receivables		
Trade receivables	40,729	43,250
Prepayments	6,034	7,481
Other receivables and accruals	3,411	1,559
	<u>50,174</u>	<u>52,290</u>

Redlands Community Financial Services Limited  
Notes to the Financial Statements  
for the year ended 30 June 2017

Note 9. Property, plant and equipment	2017	2016
	\$	\$
Leasehold improvements		
At cost	29,217	29,217
Less accumulated depreciation	(8,394)	(7,664)
	<u>20,823</u>	<u>21,553</u>
Plant and equipment - Victoria Point		
At cost	110,893	110,893
Less accumulated depreciation	(61,002)	(55,442)
	<u>49,891</u>	<u>55,451</u>
Plant and equipment - Macleay Island		
At cost	12,468	12,468
Less accumulated depreciation	(6,630)	(5,278)
	<u>5,838</u>	<u>7,190</u>
Plant and equipment - Cleveland		
At cost	82,685	82,685
Less accumulated depreciation	(12,994)	(4,580)
	<u>69,691</u>	<u>78,105</u>
Motor vehicles		
At cost	27,328	-
Less accumulated depreciation	(693)	-
	<u>26,635</u>	<u>-</u>
Furniture and fittings		
At cost	41,533	41,533
Less accumulated depreciation	(28,999)	(27,913)
	<u>12,534</u>	<u>13,620</u>
Computer Software		
At cost	13,661	13,661
Less accumulated depreciation	(13,661)	(13,661)
	<u>-</u>	<u>-</u>
Total written down amount	<u>185,412</u>	<u>175,919</u>
<b>Movements in carrying amounts:</b>		
Leasehold improvements		
Carrying amount at beginning	21,553	22,283
Additions	-	-
Disposals	-	-
Less: depreciation expense	(730)	(730)
Carrying amount at end	<u>20,823</u>	<u>21,553</u>

Redlands Community Financial Services Limited  
Notes to the Financial Statements  
for the year ended 30 June 2017

Note 9. Property, plant and equipment ( <i>continued</i> )	2017 \$	2016 \$
Movements in carrying amounts: ( <i>continued</i> )		
Plant and equipment - Victoria Point		
Carrying amount at beginning	55,451	61,716
Additions	1,606	2,671
Disposals	-	-
Less: depreciation expense	(7,166)	(8,936)
Carrying amount at end	<u>49,891</u>	<u>55,451</u>
Plant and equipment - Macleay Island		
Carrying amount at beginning	7,190	9,687
Additions	1,083	-
Disposals	-	-
Less: depreciation expense	(2,435)	(2,497)
Carrying amount at end	<u>5,838</u>	<u>7,190</u>
Plant and equipment - Cleveland		
Carrying amount at beginning	78,105	16,165
Additions	2,482	92,552
Disposals	-	(12,111)
Less: depreciation expense	(10,896)	(18,501)
Carrying amount at end	<u>69,691</u>	<u>78,105</u>
Motor vehicles		
Carrying amount at beginning	-	-
Additions	27,328	-
Disposals	-	-
Less: depreciation expense	(693)	-
Carrying amount at end	<u>26,635</u>	<u>-</u>
Furniture and fittings		
Carrying amount at beginning	13,620	12,763
Additions	-	3,500
Disposals	-	(1,115)
Less: depreciation expense	(1,086)	(1,528)
Carrying amount at end	<u>12,534</u>	<u>13,620</u>
Total written down amount	<u>185,412</u>	<u>175,919</u>

Redlands Community Financial Services Limited  
Notes to the Financial Statements  
for the year ended 30 June 2017

Note 10. Intangible assets	2017	2016
	\$	\$
Franchise fee		
At cost	41,867	37,367
Less: accumulated amortisation	(29,459)	(22,700)
	<u>12,408</u>	<u>14,667</u>
Renewal processing fee		
At cost	114,337	114,337
Less: accumulated amortisation	(74,935)	(63,501)
	<u>39,402</u>	<u>50,836</u>
Total written down amount	<u>51,810</u>	<u>65,503</u>

Note 11. Tax		
Current:		
Income tax payable	<u>22,822</u>	<u>5,361</u>
Non-Current:		
Deferred tax assets		
- accruals	1,018	1,154
- employee provisions	6,124	5,816
	<u>7,142</u>	<u>6,970</u>
Deferred tax liability		
- accruals	939	429
	<u>939</u>	<u>429</u>
Net deferred tax asset	<u>6,203</u>	<u>6,541</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>338</u>	<u>16,799</u>

Note 12. Trade and other payables		
Current:		
Trade creditors	7,261	8,192
Other creditors and accruals	24,717	120,082
	<u>31,978</u>	<u>128,274</u>

# Redlands Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

Note 13. Borrowings	2017	2016
	\$	\$
Current:		
Bank loans	90,000	90,000
	<u>90,000</u>	<u>90,000</u>

In June 2016 an interest only bank loan was taken out for \$90,000. Interest is recognised at an average rate of 7.22% (2016:7.99%). The loan is secured by a fixed and floating charge over the company's assets.

Note 14. Provisions		
Current:		
Provision for annual leave	6,510	8,214
Provision for long service leave	15,759	6,764
	<u>22,269</u>	<u>14,978</u>
Non-Current:		
Provision for long service leave	-	6,169

Note 15. Contributed equity		
679,310 ordinary shares fully paid (2016: 679,310)	679,310	679,310
Less: equity raising expenses	(36,750)	(36,750)
	<u>642,560</u>	<u>642,560</u>

### Rights attached to shares

#### (a) Voting rights

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

On a show of hands or a poll, each shareholder 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 shareholder and has also been appointed as proxy for another shareholder) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a shareholder and one vote for each other shareholder that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each shareholder 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 shareholders 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.

# Redlands Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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### Note 15. Contributed equity (*continued*)

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#### Rights attached to shares (*continued*)

##### (b) *Dividends*

Generally, dividends are payable to shareholders 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 any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 266. As at the date of this report, the company had 295 shareholders.

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

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

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a shareholder has a prohibited shareholding interest, it must serve a notice requiring the shareholder (or the shareholder'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, shareholders acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual shareholders, but that such a result may be necessary to enforce the prohibition.

# Redlands Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

<b>Note 16. Accumulated losses</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the financial year	(110,482)	(143,188)
Net profit from ordinary activities after income tax	46,023	53,085
Dividends paid or provided for	(20,379)	(20,379)
Balance at the end of the financial year	<u>(84,838)</u>	<u>(110,482)</u>

### **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	46,023	53,085
Non cash items:		
- depreciation	23,006	32,192
- amortisation	18,193	13,112
- loss on disposal of asset	-	12,111
Changes in assets and liabilities:		
- (increase)/decrease in receivables	2,116	(1,615)
- (increase)/decrease in other assets	338	16,799
- increase/(decrease) in payables	(6,642)	19,585
- increase/(decrease) in provisions	1,122	2,717
- increase/(decrease) in current tax liabilities	17,461	5,361
Net cash flows provided by operating activities	<u>101,617</u>	<u>153,347</u>

### **Note 18. Leases**

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	39,254	36,800
- between 12 months and 5 years	93,361	128,800
- greater than 5 years	-	-
	<u>132,615</u>	<u>165,600</u>

The Victoria Point branch premises lease is a non-cancellable lease with a five-year term. The second renewal of the lease was taken on the 10 December 2015, with no renewal option remaining. Rent is payable monthly in advance and is increased annually by CPI.

The Cleveland Customer Service Centre lease is non-cancellable with a 20 month term. It has one renewal term available for three years commencing 1 February 2018, with no further renewal options. Rent is payable monthly in advance.

# Redlands Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Auditor's remuneration	2017	2016
	\$	\$
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	5,300	5,100
- share registry services	4,802	1,755
- non audit services	1,590	750
	<u>11,692</u>	<u>7,605</u>

### Note 20. Director and related party disclosures

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

Garry Francis White  
Dulise Coral Maxwell  
Christopher Francis Webster  
Arnal Pravikash Chand  
John James Goodwin  
Bill Joe Parkes  
Rebecca Joan Fox (*Appointed 28 July 2016*)  
Beau Dean Hodge (*Appointed 27 April 2017*)  
David John McGovern (*Resigned 19 September 2016*)  
James Andrew McNamara (*Resigned 28 July 2016*)

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.

Directors Shareholdings	<u>2017</u>	<u>2016</u>
Garry Francis White	10,003	10,003
Dulise Coral Maxwell	-	-
Christopher Francis Webster	10,500	10,500
Arnal Pravikash Chand	-	-
John James Goodwin	-	-
Bill Joe Parkes	-	-
Rebecca Joan Fox ( <i>Appointed 28 July 2016</i> )	-	-
Beau Dean Hodge ( <i>Appointed 27 April 2017</i> )	-	-
David John McGovern ( <i>Resigned 19 September 2016</i> )	-	-
James Andrew McNamara ( <i>Resigned 28 July 2016</i> )	-	-

There was no movement in directors shareholdings during the year.

# Redlands Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

Note 21. Dividends paid or provided	2017	2016
	\$	\$
<i>a. Dividends paid during the year</i>		
Current year dividend		
Unfranked (2016:unfranked) dividend - 3 cents (2016: 3 cents) per share	<u>20,379</u>	<u>20,379</u>
<i>b. Franking account balance</i>		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	-	-
- franking credits that will arise from payment of income tax as at the end of the financial year	22,822	-
- 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:	22,822	-
- 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	<u>22,822</u>	<u>-</u>

### Note 22. Key management personnel disclosures

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

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

### Note 23. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	46,023	53,085
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	679,310	679,310

# Redlands Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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### Note 24. Events occurring after the reporting date

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

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### Note 25. Contingent liabilities and contingent assets

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

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### Note 26. Segment reporting

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

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### Note 27. Registered office/Principal place of business

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

Registered Office  
Shop 5/127 Colburn Avenue  
Victoria Point QLD 4165

Principal Place of Business  
Shop 5/127 Colburn Avenue  
Victoria Point QLD 4165

# Redlands Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

### 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					
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	100,688	150,408	330,504	326,199	-	-	-	-	-	-	1.85	1.92
Receivables	-	-	-	-	-	-	-	-	40,729	43,250	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	90,000	90,000	-	-	-	-	-	-	7.22	7.99
Payables	-	-	-	-	-	-	-	-	7,261	8,192	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 2017, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2017	2016
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	3,412	3,866
Decrease in interest rate by 1%	(3,412)	(3,866)
Change in equity		
Increase in interest rate by 1%	3,412	3,866
Decrease in interest rate by 1%	(3,412)	(3,866)


## Redlands Community Financial Services Limited Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2017 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.

  
\_\_\_\_\_  
Garry Francis White, Chairman

Signed on the 22nd of September 2017.

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

### Report on the audit of the financial statements

#### Our opinion

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

- i. giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards.

#### What we have audited

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

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

#### Basis for opinion

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

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

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

#### Other information

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

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

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

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

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

### **Directors' responsibility for the financial report**

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

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

### **Auditor's responsibility for the audit of the financial report**

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

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



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, 3550  
Dated: 22 September 2017



**David Hutchings**  
Lead Auditor



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