

2018 Annual Report



RWM Community Financial Services Limited

ABN 52 116 190 875

Victoria Point and Wynnum Manly **Community Bank®** branches
Cleveland Customer Service Centre



Artist – Belinda Close.

Directors and staff acknowledge the traditional owners of the land on which we meet and work, we recognise the Quandamooka people and pay our respects to elders past, present and emerging.



In a world that is all-too-often busy, where change is accelerating and social isolation is increasing, we are working hard to change the way the community balance sheet is fulfilled.

Chairman's report

On behalf of the Board of Directors, Senior Manager Justine Kennedy, Manager Jane Nelson and our branch team, it is my pleasure to provide our annual report for the 2017-18 financial year.

We have had yet another busy year, more so given our expansion to Wynnum Manly and the surrounding districts. Growing in size, in 'footprint' and capability comes with significant challenges, the greatest of which was our drive to ensure our culture remained the same and was evident whether we are in any of our 3 locations or out in the community. **#lovewhatwedo** and **#peoplematter** are two of our 3 hashtags that keep our culture front of mind, day after day.

Mid-year our team held a workshop and first up, they redefined the words that best describe the values that reflect that culture. As a collective they decided on;

Empower, Respect, Accountability, Loyalty & Family

Throughout the 17-18 year we took a number of steps to set what will be our 'brand' for years to come. The first was to create a photo that represents us and our work, using local people, businesses, students etc.



This, in turn, provided the opportunity to purchase and brand a car for the team to use between our locations and in the community.



On the 4th of December 2017, we opened the Wynnum Manly **Community Bank®** branch of Bendigo Bank. To open a **Community Bank®** branch without requiring an additional prospectus, or forming a second company etc. saved significant duplication, additional and significant costs and we recognise the commitment of our franchise partner, Bendigo Bank for their collaboration and support.

In consideration of the greater footprint and the significant overlap of the community in general, as advised to Shareholders and other stakeholders at the time, we changed our company name to RWM Community Financial Services Limited. The change was required. Many of our customers, the community organisations and businesses that we support and serve; in-turn support, live or work in the broader region, not just Redlands. The change was made at negligible cost to the company.

We express our continued, sincere appreciation to Robins Accountants Cleveland. Our partnership with Robins is soundly based on shared value and shared outcomes for our community, and has resulted in sizeable growth to Cleveland's footings.

The growth of Cleveland, the addition of Wynnum and respective increased staff contingent allowed us to reshape everyone's roles too. Each team member has a specific portfolio that is aligned with their skillset, outlook to their future and of course our business needs.



The growth of our **Community Bank®** local network also brought home to us all that although the branch team manage the business day-to-day; we did not have anyone to manage what had become a sizeable Board, Communications, Property, Community Development and Marketing portfolio.

Our presence as a **Community Bank®** is more than just banking and business services. Community organisations more and more are looking to us as a hub or portal for support on a broad range of services. A "Director - Community Engagement role was established in December 2017.

The role is mostly autonomous and is responsible for:

- Executive support to the Board except for company Secretary responsibilities
- Audit and sampling of company documents, cheques etc. and provision of subsequent reports for assurance
- Day-to-day management of the company and support for the branches and service centre where already approved and therefore exercisable without reference to the Board, as a delegated executive management function
- Community engagement and investment in the broad areas covered by or adjacent to our 'footprint'
- Marketing
- Internal and communications in-concert with the company Secretary
- Event planning and management on behalf of the Board
- Reporting to the Board
- Ensuring consistent and relevant presence in and engagement with 'the community'

Our increased footprint to 3 locations and larger team also has required and enabled us to spend even more time focusing on our point of difference; our commitment to our community. I collated our monthly reports and was amazed that our branch teams this year, logged 1,001 hours of volunteer time, on their initiative, in our community.

The quantitative, monetary value of this can readily be calculated. The greater qualitative benefit to the community broadly is far greater; immeasurable and invaluable! This is just the branch teams, then add to this the voluntary contributions of the Directors too and it is easy to confirm our authenticity, discipline and dedication to the values defined earlier.



From opening on 15 December 2005 to what is fast approaching 13 years; we have grown from 4 to 16 staff, opened 3 significant sites; and have done our best to ensure we are a reliable, committed local employer. Equally, in fact even more; our team have given of themselves time and again and our continued growth and community engagement is largely their leadership and success. They deserve recognition for they have lived a 'good life' and have created such a positive legacy for 'our community!'

We have been engaged as major sponsorship for various organisations which means increased visibility of our brand, our people and our outcomes. We are a major sponsor with the Redland City Chamber of Commerce, and with Wynnum Seagulls too.



The Seagulls sponsorship is also important for the shared value and support for local primary schools. Under our tent at each home game we cook a BBQ and the proceeds are donated to one school each game.



We have once again this year, used local businesses where possible and this has generated a sound network of referrals that will in-turn grow a stronger economy within our footprint. The engagement of small business will become increasingly important, and eventually be core to the social outcomes we all expect.

It is the expectation of society in general that successful businesses should 'feed' in to prosperity, not from it. That is clearly our mandate and core to the **Community Bank®** model.

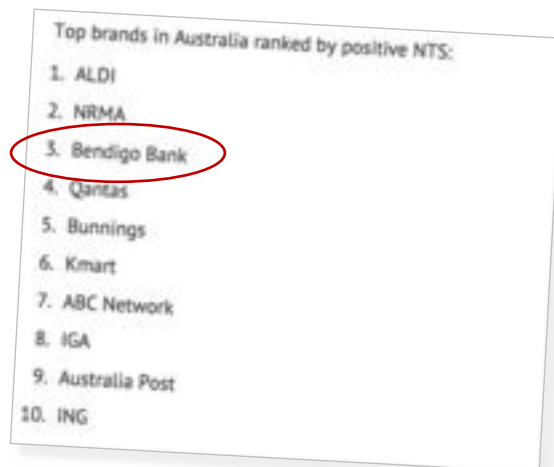
Most recently this calendar year there have been 2 quite telling outcomes that we, as part of our industry and a strong network are very, very proud of.

The first is the Royal Commission into misconduct in the banking, superannuation and financial services industry. The **Community Bank®** model and network have actually been commended for the sense of purpose. The model brings people together to solve problems, build communities and invests in community. Further commentary in the media and from respected sources in the industry in summary is; "Only long-term behaviour will repair or reinstate any trust. Community Banks, under this model are well placed to lead with their behaviour".

From our perspective, what we are striving to become from any engagement or investment in the community, is a long-term partner and a leading social enterprise.

Secondly, in July 2018 the Roy Morgan Research institute released their annual survey of the most trusted brands in Australia. The research simply measures trust and distrust and where trust out-weighs distrust the most, leads in the "Net Trust Score". Bendigo Bank finished 3rd behind ALDI and NRMA and ahead of QANTAS, Bunnings and the ABC Network. **Community Bank®** branches form well over 60% of the Bendigo Bank retail network and we are a proud partner in that network and equally proud of our Net Trust Score.

All in all the year has been quite a 'mix' of activity. We are pleased and proud of what has been achieved in the year and believe we can sign off on setting up a sound base. There is so much more to do. We must ensure our culture is respectful and authentic; that our investments in our team and our 'community' are relevant and for the long-term; and over the next decade, we lead from within the community.




Chairman


Senior Manager,
Community Bank®

Our dividends are not just defined by what we return to Shareholders...

In the last 5 years; 4,200 hours in volunteering



Created 16 full-time and part-time jobs, and many of our team are achieving significant milestones with us.



Invested in our community through significant, far-reaching partnerships; for example \$16,000 to-date with the Redland Community Centre



And to the end of this reporting year, we have returned \$167,000 to our Shareholders.

People Matter - more than their assets
People Matter - in maximising opportunities
People Matter - as enablers
People Matter - in everything we do

RWM Community Financial Services Limited

ABN: 52 116 190 875

Financial Statements

For the year ended

30 June 2018

RWM Community Financial Services Limited

Directors' Report

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:

Garry Francis White

Chairman

Occupation: Consultant

Qualifications, experience and expertise: Garry has been involved with RWM CSFL as a shareholder during the initial prospectus, and on sub-committees and/or as a Director since November 2006. Garry serviced 2 ½ years as a member of the Community Bank National Council, as the Southern Queensland Representative. After nearly 35 years in the aviation industry, Garry has a depth of experience in risk management, business continuity, work health safety and governance. From over 40 years active participation as a volunteer, Garry has leadership and management skills relevant to community based organisations.

Special responsibilities: Audit and Marketing sub-committees.

Interest in shares: 10,003

Christopher Francis Webster

Secretary

Occupation: Retired

Qualifications, experience and expertise: Christopher worked as a Technical Officer with Telstra until 1998 (30 years), a Retail Sales Assistant for 5 years (1998-2003) and an Admin/Bookkeeping part time since 2003. He is currently volunteer with the Community Visitors Scheme (Aged Care) since 2010, Wynnum State School since 2011, Cleveland High School since 2015 and Redland Community Centre since 2017. Member of Capalaba State College P and C. He is a Board Member of the Redland Community Centre. He is 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

Bill Joe Parkes

Treasurer

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

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 has completed 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

RWM 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

Beau Dene Hodge

Director

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

Amy Jackson

Director (*Appointed 12 February 2018*)

Occupation: Professional Coach

Qualifications, experience and expertise: Amy is a local business owner of Nurturing Confidence, based in local business co-working space in Wynnum, providing leadership development services to mid-level leaders since 2006. Local Wynnum resident since 2010, she has served in local community playgroups, past treasurer of Gundala Kindergarten and past president of Bayside South Development Forum. Holding a Bachelor of Psychology (Hons 1), Associate Certified Coach accreditation and prior experience in performance, business and policy management in large public sector organisations.

Special responsibilities: Marketing Committee.

Interest in shares: Nil

Kathryn Jody Steinhardt

Director (*Appointed 23 February 2018*)

Occupation:

Qualifications, experience and expertise: Before settling down to run her own business, Kathryn worked in large corporations including IOOF, Credit Suisse First Boston and Marsh, mostly compiling presentations, reports and tenders. She taught the Microsoft suite of products at TAFE to adults at evening classes. Kathryn has been operating her Graphic Design business for 9 years and support a mixture of small, medium and micro business. She volunteers in many areas of the community, helps out in Prep classes at the state school, designed logos for the P&C's Safety House and community Fete. She has also volunteered her graphic skills to help the TRI21 series raise money for Down Syndrome. Kathryn spent two years as Vice President and one year as President, with the Bayside South Development Forum.

Special responsibilities: Marketing Committee.

Interest in shares: Nil

RWM Community Financial Services Limited

Directors' Report

Directors (*continued*)

Dulise Coral Maxwell

Director (*Resigned 26 July 2018*)

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: Chair

Interest in shares: Nil

Rebecca Joan Fox

Director (*Resigned 6 August 2018*)

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

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 franchised branches and a customer service centre 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
	\$	\$
	727	46,023
	Year ended 30 June 2018	
Dividends	Cents	\$
Dividends paid in the year	3	20,379

RWM Community Financial Services Limited

Directors' Report

Significant changes in the state of affairs

RWM Community Financial Services Limited opened a new **Community Bank®** branch in December 2017; located at Wynnum Manly. In the opinion of the directors there were no other significant changes in the state of affairs of the company occurring during the financial year under review not otherwise disclosed in this report or the financial statements.

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 20 and 22 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended	
	<u>Eligible</u>	<u>Attended</u>
Garry Francis White	11	11
Christopher Francis Webster	11	11
Bill Joe Parkes	11	7
Arnal Pravikash Chand	9	5
John James Goodwin	11	9
Beau Dean Hodge	11	4
Amy Jackson (<i>Appointed 25 January 2018</i>)	6	3
Kathryn Jody Steinhardt (<i>Appointed 23 February 2018</i>)	5	3
Dulise Coral Maxwell (<i>Resigned 26 July 2018</i>)	11	8
Rebecca Joan Fox (<i>Resigned 6 August 2018</i>)	11	4

RWM 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*.

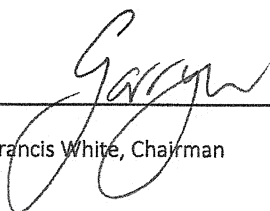
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- 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 27 September 2018.



Garry Francis White, Chairman

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

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

- i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



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



David Hutchings
Lead Auditor

RWM Community Financial Services Limited
Statement of Profit or Loss and Other
Comprehensive Income
for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Revenue from ordinary activities	4	1,235,040	917,398
Employee benefits expense		(780,501)	(514,135)
Charitable donations, sponsorship, advertising and promotion		(101,266)	(86,247)
Occupancy and associated costs		(107,205)	(57,498)
Systems costs		(26,448)	(17,196)
Depreciation and amortisation expense	5	(61,124)	(41,199)
Finance costs	5	(11,316)	(6,500)
General administration expenses		(141,483)	(130,801)
Profit before income tax expense		5,697	63,822
Income tax expense	6	(4,970)	(17,799)
Profit after income tax expense		727	46,023
Total comprehensive income for the year attributable to the ordinary shareholders of the company:			
		727	46,023
Earnings per share		¢	¢
Basic earnings per share	23	0.11	6.77

The accompanying notes form part of these financial statements

RWM Community Financial Services Limited

Balance Sheet

as at 30 June 2018

	Notes	2018 \$	2017 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	169,113	431,192
Trade and other receivables	8	65,703	50,174
Current tax asset	11	506	-
Total current assets		235,322	481,366
Non-current assets			
Property, plant and equipment	9	325,986	185,412
Intangible assets	10	263,923	51,810
Deferred tax asset	11	1,233	6,203
Total non-current assets		591,142	243,425
Total assets		826,464	724,791
LIABILITIES			
Current liabilities			
Trade and other payables	12	58,366	31,978
Current tax liabilities	11	-	22,822
Borrowings	13	200,000	90,000
Provisions	14	-	22,269
Total current liabilities		258,366	167,069
Non-current liabilities			
Trade and other payables	12	30,028	-
Total non-current liabilities		30,028	-
Total liabilities		288,394	167,069
Net assets		538,070	557,722
EQUITY			
Issued capital	15	642,560	642,560
Accumulated losses	16	(104,490)	(84,838)
Total equity		538,070	557,722

The accompanying notes form part of these financial statements

RWM Community Financial Services Limited
Statement of Changes in Equity
for the year ended 30 June 2018

	Notes	Issued capital \$	Accumulated losses \$	Total equity \$
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	21	-	(20,379)	(20,379)
Balance at 30 June 2017		642,560	(84,838)	557,722
Balance at 1 July 2017		642,560	(84,838)	557,722
Total comprehensive income for the year		-	727	727
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	(20,379)	(20,379)
Balance at 30 June 2018		642,560	(104,490)	538,070

The accompanying notes form part of these financial statements

RWM Community Financial Services Limited
Statement of Cash Flows
for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		1,349,114	1,001,208
Payments to suppliers and employees		(1,291,510)	(899,517)
Interest received		8,008	6,426
Interest paid		(11,316)	(6,500)
Income taxes paid		(23,328)	-
Net cash provided by operating activities	17	30,968	101,617
Cash flows from investing activities			
Payments for property, plant and equipment		(179,460)	(122,153)
Purchase of Wynnum Manly branch		(191,075)	-
Payments for intangible assets		(12,133)	(4,500)
Net cash used in investing activities		(382,668)	(126,653)
Cash flows from financing activities			
Proceeds from borrowings		110,000	-
Dividends paid	21	(20,379)	(20,379)
Net cash provided by/(used in) financing activities		89,621	(20,379)
Net decrease in cash held		(262,079)	(45,415)
Cash and cash equivalents at the beginning of the financial year		431,192	476,607
Cash and cash equivalents at the end of the financial year	7(a)	169,113	431,192

The accompanying notes form part of these financial statements

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

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

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

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

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

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

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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

a) Basis of preparation (*continued*)

Application of new and amended accounting standards (continued)

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating leases of its branches. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to \$283,800, on an undiscounted basis (see Note 18).

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branches at Victoria Point, Wynnum Manly and the Customer Service Centre, Cleveland, Queensland.

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

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

The company promotes products and services of Bendigo and Adelaide Bank, 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®** branches 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

- design, layout and fit out of the **Community Bank®** branches 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.

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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

b) Revenue

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

Revenue calculation

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Commission

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

Fee income

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

Discretionary financial contributions

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

The amount has been based on the volume of business attributed to each branch and service centre. 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.

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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.

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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

c) Income tax (*continued*)*Deferred tax (continued)*

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

- leasehold improvements	5 - 15	years
- plant and equipment	2.5 - 40	years
- furniture and fittings	4 - 40	years
- motor vehicles	3 - 5	years

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments*Recognition and initial measurement*

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

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

Derecognition

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

*Classification and subsequent measurement**(i) Loans and receivables*

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Impairment

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

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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.

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 2. Financial risk management (continued)

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 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.

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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.

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.

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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	919,883	726,557
- services commissions	158,871	71,354
- fee income	91,830	75,671
- market development fund	58,333	35,000
Total revenue from operating activities	<u>1,228,917</u>	<u>908,582</u>
Non-operating activities:		
- interest received	5,253	8,279
- other revenue	870	537
Total revenue from non-operating activities	<u>6,123</u>	<u>8,816</u>
Total revenues from ordinary activities	<u><u>1,235,040</u></u>	<u><u>917,398</u></u>

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	25,433	20,497
- leasehold improvements	730	730
- furniture and fittings	809	1,086
- motor vehicles	6,659	693
Amortisation of non-current assets:		
- establishment fee	8,017	-
- franchise agreement	11,571	6,759
- franchise renewal fee	7,905	11,434
	<u>61,124</u>	<u>41,199</u>
Bad debts	<u>1,019</u>	<u>1,607</u>
Loss on disposal of asset	<u>5,255</u>	<u>-</u>

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6.	Income tax expense	2018	2017
		\$	\$
The components of tax expense comprise:			
- Current tax		5,506	17,461
- Movement in deferred tax		-	338
- Future income tax benefit attributable to losses		(536)	-
		<u>4,970</u>	<u>17,799</u>

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

Operating profit	5,697	63,822
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	1,567	17,551
Add tax effect of:		
- non-deductible expenses	3,403	248
- timing difference expenses	(5,506)	(338)
	<u>(536)</u>	<u>17,461</u>
Movement in deferred tax	5,506	338
	<u>4,970</u>	<u>17,799</u>

Note 7.	Cash and cash equivalents		
Cash at bank and on hand	50,448	100,688	
Term deposits	118,665	330,504	
	<u>169,113</u>	<u>431,192</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	50,448	100,688
Term deposits	118,665	330,504
	<u>169,113</u>	<u>431,192</u>

Note 8.	Trade and other receivables		
Trade receivables	43,649	40,729	
Prepayments	10,898	6,034	
Other receivables and accruals	11,156	3,411	
	<u>65,703</u>	<u>50,174</u>	

RWM Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2018

Note 9.	Property, plant and equipment	2018	2017
		\$	\$
	Leasehold improvements		
	At cost	29,217	29,217
	Less accumulated depreciation	(9,124)	(8,394)
		<u>20,093</u>	<u>20,823</u>
	Plant and equipment - Cleveland		
	At cost	105,413	104,536
	Less accumulated depreciation	(43,010)	(34,845)
		<u>62,403</u>	<u>69,691</u>
	Plant and equipment - Macleay Island		
	At cost	-	13,551
	Less accumulated depreciation	-	(7,713)
		<u>-</u>	<u>5,838</u>
	Plant and equipment - Victoria Point		
	At cost	127,230	121,083
	Less accumulated depreciation	(78,423)	(71,192)
		<u>48,807</u>	<u>49,891</u>
	Plant and equipment - Wynnum Manly		
	At cost	172,436	-
	Less accumulated depreciation	(9,454)	-
		<u>162,982</u>	<u>-</u>
	Motor vehicles		
	At cost	27,328	27,328
	Less accumulated depreciation	(7,352)	(693)
		<u>19,976</u>	<u>26,635</u>
	Furniture and fittings - Victoria Point		
	At cost	41,533	41,533
	Less accumulated depreciation	(29,808)	(28,999)
		<u>11,725</u>	<u>12,534</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>325,986</u>	<u>185,412</u>

RWM Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2018

Note 9. Property, plant and equipment (<i>continued</i>)	2018 \$	2017 \$
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	20,823	21,553
Additions	-	-
Disposals	-	-
Less: depreciation expense	(730)	(730)
Carrying amount at end	<u>20,093</u>	<u>20,823</u>
Plant and equipment - Cleveland		
Carrying amount at beginning	69,691	78,105
Additions	877	2,482
Disposals	-	-
Less: depreciation expense	(8,165)	(10,896)
Carrying amount at end	<u>62,403</u>	<u>69,691</u>
Plant and equipment - Macleay Island		
Carrying amount at beginning	5,838	7,190
Additions	-	1,083
Disposals	(5,255)	-
Less: depreciation expense	(583)	(2,435)
Carrying amount at end	<u>-</u>	<u>5,838</u>
Plant and equipment - Victoria Point		
Carrying amount at beginning	49,891	55,451
Additions	6,147	1,606
Disposals	-	-
Less: depreciation expense	(7,231)	(7,166)
Carrying amount at end	<u>48,807</u>	<u>49,891</u>
Plant and equipment - Wynnum Manly		
Carrying amount at beginning	-	-
Additions	172,436	-
Disposals	-	-
Less: depreciation expense	(9,454)	-
Carrying amount at end	<u>162,982</u>	<u>-</u>
Motor vehicles		
Carrying amount at beginning	26,635	-
Additions	-	27,328
Disposals	-	-
Less: depreciation expense	(6,659)	(693)
Carrying amount at end	<u>19,976</u>	<u>26,635</u>

RWM Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2018

Note 9. Property, plant and equipment (<i>continued</i>)	2018	2017
	\$	\$
Movements in carrying amounts: (<i>continued</i>)		
Furniture and fittings - Vitoria Point		
Carrying amount at beginning	12,534	13,620
Additions	-	-
Disposals	-	-
Less: depreciation expense	(809)	(1,086)
Carrying amount at end	<u>11,725</u>	<u>12,534</u>
Total written down amount	<u>325,986</u>	<u>185,412</u>

Note 10. Intangible assets		
Franchise fee		
At cost	47,933	41,867
Less: accumulated amortisation	(37,364)	(29,459)
	<u>10,569</u>	<u>12,408</u>
Establishment fee - Wynnum Manly		
At cost	42,465	-
Less: accumulated amortisation	(8,017)	-
	<u>34,448</u>	<u>-</u>
Renewal processing fee		
At cost	114,337	114,337
Less: accumulated amortisation	(86,506)	(74,935)
	<u>27,831</u>	<u>39,402</u>
Goodwill on purchase of branch - Wynnum Manly		
At cost	191,075	-
Total written down amount	<u>263,923</u>	<u>51,810</u>

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Tax	2018	2017
	\$	\$
Current:		
Income tax payable/(refundable)	<u>(506)</u>	<u>22,822</u>
Non-Current:		
Deferred tax assets		
- accruals	878	1,018
- employee provisions	-	6,124
- tax losses carried forward	536	-
	<u>1,414</u>	<u>7,142</u>
Deferred tax liability		
- accruals	181	939
	<u>181</u>	<u>939</u>
Net deferred tax asset	<u>1,233</u>	<u>6,203</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>4,970</u>	<u>338</u>

Note 12. Trade and other payables

Current:		
Trade creditors	12,620	7,261
Other creditors and accruals	45,746	24,717
	<u>58,366</u>	<u>31,978</u>
Non-Current:		
Other creditors and accruals	<u>30,028</u>	<u>-</u>

Note 13. Borrowings

Current:		
Bank loans	<u>200,000</u>	<u>90,000</u>

In June 2016 an interest only bank loan was taken out for \$90,000. It was drawn down to \$200,000 in November 2017. Interest is recognised at an average rate of 6.93% (2017: 7.22%). The loan is secured by a fixed and floating charge over the company's assets.

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Provisions	2018	2017
	\$	\$
Current:		
Provision for annual leave	-	6,510
Provision for long service leave	-	15,759
	<u>-</u>	<u>22,269</u>

Note 15. Issued capital		
679,310 ordinary shares fully paid (2017: 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.

(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*.

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Issued capital (*continued*)

Prohibited shareholding interest

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

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

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

Note 16. Accumulated losses	2018	2017
	\$	\$
Balance at the beginning of the financial year	(84,838)	(110,482)
Net profit from ordinary activities after income tax	727	46,023
Dividends provided for or paid	(20,379)	(20,379)
Balance at the end of the financial year	<u>(104,490)</u>	<u>(84,838)</u>

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Statement of cash flows	2018	2017
	\$	\$
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	727	46,023
Non cash items:		
- depreciation	33,631	23,006
- amortisation	27,493	18,193
- loss on disposal of asset	5,255	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(15,529)	2,116
- (increase)/decrease in other assets	4,464	338
- increase/(decrease) in payables	20,018	(6,642)
- increase/(decrease) in provisions	(22,269)	1,122
- increase/(decrease) in current tax liabilities	(22,822)	17,461
Net cash flows provided by operating activities	<u>30,968</u>	<u>101,617</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	79,920	39,254
- between 12 months and 5 years	203,880	93,361
- greater than 5 years	-	-
	<u>283,800</u>	<u>132,615</u>

The Cleveland customer service centres lease is currently under review. The lease cost to-date is \$0 monthly with invoiced on-costs paid.

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 Wynnum Manly branch lease is non-cancellable with a five-year term ending 4 December 2022; with five-year renewal options available. Rent is payable monthly, in advance.

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	3,355	4,802
- non audit services	1,741	1,590
	<u>9,496</u>	<u>11,692</u>

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Director and related party disclosures

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

Garry Francis White
 Christopher Francis Webster
 Bill Joe Parkes
 Arnal Pravikash Chand
 John James Goodwin
 Beau Dean Hodge
 Amy Jackson (*Appointed 25 January 2018*)
 Kathryn Jody Steinhardt (*Appointed 23 February 2018*)
 Dulise Coral Maxwell (*Resigned 26 July 2018*)
 Rebecca Joan Fox (*Resigned 6 August 2018*)

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

Transactions with related parties:	2018 \$	2017 \$
Garry White is paid for Executive Support Services provided to the board and day to day management of the company	29,792	-

Directors Shareholdings	2018	2017
Garry Francis White	10,003	10,003
Christopher Francis Webster	10,500	10,500
Bill Joe Parkes	-	-
Arnal Pravikash Chand	-	-
John James Goodwin	-	-
Beau Dean Hodge (<i>Appointed 26 April 2018</i>)	-	-
Amy Jackson (<i>Appointed 25 January 2018</i>)	-	-
Kathryn Jody Steinhardt (<i>Appointed 23 February 2018</i>)	-	-
Dulise Coral Maxwell (<i>Resigned 26 July 2018</i>)	-	-
Rebecca Joan Fox (<i>Resigned 6 August 2018</i>)	-	-

There was no movement in directors shareholdings during the year.

Note 21. Dividends provided for or paid

	2018 \$	2017 \$
a. Dividends paid during the year		
Current year dividend		
100% franked (2017:unfranked) dividend - 3 cents (2017: 3 cents) per share	<u>20,379</u>	<u>20,379</u>

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Dividends provided for or paid (<i>continued</i>)	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	31,194	-
- franking credits that will arise from payment of income tax as at the end of the financial year	(506)	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:	30,688	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>30,688</u>	<u>22,822</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	2018	2017
	\$	\$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	727	46,023
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	679,310	679,310

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.

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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 Victoria Point, Wynnum Manly and Cleveland 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
Shop 5/127 Colburn Avenue
Victoria Point QLD 4165

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

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 28. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	50,448	100,688	118,665	330,504	-	-	-	-	-	-	1.60	1.85
Receivables	-	-	-	-	-	-	-	-	43,649	431,192	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	200,000	90,000	-	-	-	-	-	-	6.93	7.22
Payables	-	-	-	-	-	-	-	-	12,620	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 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%	(309)	3,412
Decrease in interest rate by 1%	309	(3,412)
Change in equity		
Increase in interest rate by 1%	(309)	3,412
Decrease in interest rate by 1%	309	(3,412)

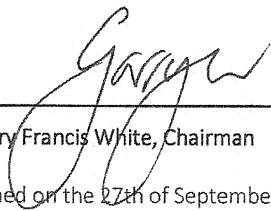
RWM Community Financial Services Limited Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



Garry Francis White, Chairman

Signed on the 27th of September 2018.

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

Report on the audit of the financial statements

Our opinion

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

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

What we have audited

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

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

Basis for opinion

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

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

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

Other information

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

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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



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



David Hutchings
Lead Auditor



Victoria Point **Community Bank®** Branch
127 Colburn Avenue, Victoria Point QLD 4165

Wynnum Manly **Community Bank®** Branch
63 Bay Terrace, Wynnum QLD 4178

Cleveland Customer Service Centre
19 Middle Street, Cleveland 4163

Franchisee:

RWM Community Financial Services Limited
127 Colburn Avenue, Victoria Point QLD 4165
Phone: (07) 3820 9355
ABN 52 116 190 875

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