San Remo District Financial Services Limited

ABN 20 102 770 150

2018 **Annual Report**

San Remo District **Community Bank®** Branch
Cowes **Community Bank®** Branch
Grantville & District **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2018

Our Annual General Meeting will be held at the Newhaven Yacht Club in Seaview Street, Newhaven on Monday 29 October at 7.30pm.

Our footings increased by $11 million for this financial year, a satisfactory figure considering the tightening of margins and the resignation of our Business Banker, Dean Thompson from Bendigo Bank late last year.

Total footings stand at $308 million with an even split between investments and loans.

I urge all our shareholders to bank with us, and if not doing so, front up at the closest of our **Community Bank**® branches, San Remo, Cowes or Grantville and transfer your business. Whilst in the branch, complete a pledge form indicating which sporting clubs or not for profit groups you would like us to support in our sponsorship/grant programs within our community.

Any banking with one of our **Community Bank**® branches earns us money and this is distributed by us for normal running costs plus sponsorships, scholarships and grants. The more banking done, the more we put back to our community. It is of interest to note that Bendigo and Adelaide Bank Limited is the only bank named by Ray Morgan as Australia's third most trusted brand and the most trusted bank.

To date we have returned $3.4 million back to our community since opening our doors in June 2003. I thank my fellow Directors, past and present, for your passion and commitment to serving our communities over the years.

We have enjoyed a year of minimal staff leaving our ranks and I wish to thank Michael, our Manager of the three branches, for his excellent performance overall in his role.

Once again, all the staff have contributed in their normal banking services but also the "extra community effort" needed in their positions working for a **Community Bank**® branch. Thank you all for putting in so diligently.

Thanks to our franchise partner Bendigo and Adelaide Bank Limited, who have had a number of staff changes within our "region" over the year and we look forward to a more settled year ahead.

Finally thanks to our shareholders who started the ball rolling many years ago – don't forget banking with us you are helping yourselves, in returns to the community and dividends.

Terry Ashenden
Chairman

Manager's report

For year ending 30 June 2018

The 2017/18 financial year has seen growth across all three branches despite record low cash rates as well as the level of competiveness from other institutions.

Our consolidated footings at the end of the financial year reached $308.4 million, an increase for the year of $11.38 million which whilst below target was still an excellent effort. This was made up of $143.6 million in lending, $143.2 million in deposits and $21.6 million in wealth products and leasing. We are fortunate to have a very balanced book between our lending & deposit products.

San Remo District **Community Bank**® Branch had combined growth of $7.72 million.

Cowes **Community Bank**® Branch had combined growth of $1.88 million

Grantville & District **Community Bank**® Branch had combined growth of $1.76 million

Our figures this year were greatly affected due to the resignation of Dean Thompson our Business Banker. I would like to thank Dean for his tireless work and support over many years. With the new appointment by Regional Office of Gary Baumgartner as our Small Business Manager, we are hopeful that our Business figures will again increase.

Our customers are crucial to the success of our business and if you can refer any new customer, community group or sporting group to us, then this continues our ability to contribute funds back into the community. Please, when you are in our branches, complete a pledge form and align your banking to the groups that you are involved in. This year we again contributed to numerous groups and services, most notably the Cowes Medical Hub and the Early Learning Centre at Corinella. We have continued to support sporting clubs such as the local football clubs, Phillip Island, Dalyston & Kilcunda Bass, as well as local bowls clubs, Scout groups, just to name a few, plus many more.

Remember, that the difference with the **Community Bank**® model is that every time people bank with their local **Community Bank**® branch, our bottom line increases and as such, community contributions and dividends increase as well.

A stable year staff wise with no changes which is testament to the stability that our Board provide us. I would like to take this opportunity to personally thank all of the girls (all 14 of them) for making my job easier. I believe that we all work well together as a team and our results are testament to that. No doubt the upcoming year we will all face new challenges which I am sure that we will all work through together and come out the other side, still smiling.

I would again like to acknowledge our volunteer Board members who have also been of great support and continue to support your community. A special thanks to our Board Chairman Terry for your ongoing support, assistance and commitment to the cause.

To our Regional Team, led by Gerry, thank you for all your assistance throughout the year. I would also like to personally thank Louise Gavros, our Risk and Compliance Manager for her help and assistance throughout the year. Much of Louise's work goes unnoticed, but your help to my team throughout the year has again been fantastic.

We will strive to be the absolute best **Community Bank**® branches in the network. We provide the best customer service and are committed to you, our customers and shareholders and look forward to our discussions throughout the year.

Michael Scott
Manager – San Remo District, Cowes and Grantville & District Community Bank® branches

Bendigo and Adelaide Bank report

For year ending 30 June 2018

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

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

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

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

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

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

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

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

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

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

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

Robert Musgrove
Bendigo and Adelaide Bank

Dividend payment history

Date dividend paid	Cents per share	Franking level
2006/07	.02	
2008/09	.05	
2009/10	.03	
2010/11	.03	
2011/12	.03	Fully franked
2012/13	.06	Fully franked
2013/14	.06	Fully franked
2014/15	.04	Fully franked
2015/16	.06	Fully franked
2016/17	.06	Fully franked

Directors' report

For the financial year ended 30 June 2018

The Directors present their report of the company for the financial year ended 30 June 2018.

Directors

The following persons were Directors of San Remo District Financial Services Limited during or since the end of the financial year up to the date of this report:

Terry Ashenden

Position	Director and Chairperson
	Member of the Audit/Governance committee, Marketing and Development committee, Public Relations/Media committee, Human Resources committee and Agenda planning.
Professional qualifications	Nil
Experience and expertise	Production and planning manager at Lysaght's Hastings for five years. Turf accountant and small business owner for 25 years.

Joan Matthews

Position	Director
	Member of the Sponsorship committee.
Professional qualifications	Diploma of Accounting
Experience and expertise	National Sales and Marketing Manager for Park Units, small business operator for 25 years.

Miranda Sage

Position	Director and Vice Chairperson
	Member of the Audit/Governance committee, Marking & Development committee and Public Relations/Media committee.
Professional qualifications	PH. C.
Experience and expertise	Former councillor and mayor of the Bass Coast Shire, Chief pharmacist at Wonthaggi Hospital.

Caroline Talbot

Position	Director and Minute Secretary
	Member of the Sponsorship committee and Agenda planning.
Professional qualifications	Cert III Business Administration, Justice of the Peace.
Experience and expertise	25 years school office manager, member of Community Advisory Group, Wonthaggi Regional Health.

Janice Rowlingson

Position	Director and Treasurer
	Member of the Audit/Governance committee and Human Resources committee.
Professional qualifications	Cert IV Business Administration.
Experience and expertise	Small business owner / operator for six years. 14 years experience working with a CPA firm.

Directors (continued)

Bruce Proctor

Position	Director Member of the Marketing and Development committee
Professional qualifications	Certificate Course in Post Office Administration
Experience and expertise	Past director of Waverly Hospital and past director of Bass Coast Regional Health.

Greg Mead

Position	Director Member of the Marketing and Development committee
Professional qualifications	Nil.
Experience and expertise	27 years of experience on RSL committees, with eight years of experience as president of the Phillip Island RSL board.

Patrick Russell

Position	Director Member of the Marketing and Development committee
Professional qualifications	Cert IV Training Diploma Management
Experience and expertise	Nil

Paul Waylen

Position	Director Member of the Marketing and Development committee
Professional qualifications	Engineer
Experience and expertise	Director and owner of engineering company for over 40 years.

Peter Paul

Position	Director Member of the Marketing and Development committee
Professional qualifications	B.A., B. Ed., B Tech., T.P.T.C
Experience and expertise	School principal for over 30 years, former councillor and mayor of Bass Coast Shire.

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings	
	A	B
Terry Ashenden	11	10
Joan Matthews	11	7
Miranda Sage	11	8
Caroline Talbot	11	11
Janice Rowlingson	11	6
Bruce Proctor	11	11
Patrick Russell	11	8
Paul Waylen	11	7
Peter Paul	11	10
Greg Mead	8	7

A - The number of meetings eligible to attend.
B - The number of meetings attended.

Company Secretary

Leonie Gardiner has been the Company Secretary of San Remo District Community Financial Services Limited since 2011.

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $115,616 (2017 profit: $87,232), which is a 32.5% increase as compared with the previous year.

Dividends

A fully franked final dividend of 6 cents per share was declared and paid during the year for the year ended 30 June 2017, and a dividend fo 6.0 cents per share was declared for the year ended 30 June 2018.

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

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.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or 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 any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set at page 10 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at San Remo on 24 September 2018.

Terence S Ashenden
Director

Auditor's independence declaration

rsd Audit

41A Breen Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC,
3552

Ph: (03) 4435 3550
admin@rsdaudit.com.au
www.rsdaudit.com.au

Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of San Remo District Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 there have been no contraventions of:

(i) The auditor independence requirements set out in the *Corporations Act 2001* in relation to the review; and
(ii) Any applicable code of professional conduct in relation to the review.

RSD Audit

Kathie Teasdale
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 24 September 2018

Financial statements

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

	Notes	2018 $	2017 $
Revenue	2	2,110,100	1,983,847
Expenses			
Employee benefits expense	3	(1,038,896)	(1,028,200)
Depreciation and amortisation	3	(87,376)	(90,029)
Finance costs	3	(633)	(2,020)
Bad and doubtful debts expense	3	2,790	(1,731)
Administration and general costs		(147,985)	(169,413)
Advertising and marketing		(39,106)	(40,589)
Occupancy expenses		(141,888)	(123,028)
IT expenses		(82,829)	(83,618)
Other expenses		(36,387)	(46,011)
		(1,572,310)	**(1,584,639)**
Operating profit before charitable donations & sponsorship		**537,790**	**399,208**
Charitable donations and sponsorships		(377,801)	(277,004)
Profit before income tax		**159,989**	**122,204**
Income tax expense	4	(44,373)	(34,972)
Profit for the year after income tax		**115,616**	**87,232**
Other comprehensive income		-	-
Total comprehensive income for the year		**115,616**	**87,232**
Profit attributable to members of the company		115,616	87,232
Total comprehensive income attributable to members of the company		**115,616**	**87,232**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	18	7.77	5.86

These financial statements should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 30 June 2018

	Notes	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	5	217,633	238,718
Trade and other receivables	6	155,072	146,730
Financial assets	7	177,826	174,398
Other assets	8	6,945	9,177
Total current assets		**557,476**	**569,023**
Non-current assets			
Property, plant and equipment	9	1,041,825	1,053,715
Intangible assets	10	91,505	132,173
Deferred tax assets	4	11,553	10,696
Total non-current assets		**1,144,883**	**1,196,584**
Total assets		**1,702,359**	**1,765,607**
Liabilities			
Current liabilities			
Trade and other payables	12	49,130	110,233
Current tax liability	4	13,391	30,145
Borrowings	13	8,444	30,085
Provisions	14	156,104	158,179
Total current liabilities		**227,069**	**328,642**
Non-current liabilities			
Borrowings	13	14,912	5,200
Provisions	14	6,716	4,391
Total non-current liabilities		**21,628**	**9,591**
Total liabilities		**248,697**	**338,233**
Net assets		**1,453,662**	**1,427,374**
Equity			
Issued capital	15	1,423,739	1,423,739
Retained earnings	16	29,923	3,635
Total equity		**1,453,662**	**1,427,374**

These financial statements should be read in conjunction with the accompanying notes.

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

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2017		1,423,739	3,635	1,427,374
Comprehensive income for the year				
Profit for the year		-	115,616	115,616
Transactions with owners in their capacity as owners				
Dividends paid or provided	17	-	(89,328)	(89,328)
Balance at 30 June 2018		**1,423,739**	**29,923**	**1,453,662**
Balance at 1 July 2016		1,423,739	5,728	1,429,467
Comprehensive income for the year				
Profit for the year		-	87,232	87,232
Transactions with owners in their capacity as owners				
Dividends paid or provided	17	-	(89,325)	(89,325)
Balance at 30 June 2017		**1,423,739**	**3,635**	**1,427,374**

These financial statements should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the year ended 30 June 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		3,572,183	2,164,208
Payments to suppliers and employees		(3,325,333)	(2,049,555)
Interest paid		(633)	(2,020)
Interest received		3,436	4,114
Income tax paid		(61,984)	(33,612)
Net cash flows provided by operating activities	**19b**	**187,669**	**83,135**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		9,091	12,722
Payments for purchase of intangibles		(67,781)	-
Purchase of property, plant and equipment		(46,052)	(5,886)
Purchase of investments		(3,428)	(4,227)
Net cash flows from/(used in) investing activities		**(108,170)**	**2,609**
Cash flows from financing activities			
Proceeds from leases		26,090	-
Repayment of borrowings		(23,778)	(61,010)
Repayment of leases		(14,241)	-
Dividends paid		(88,655)	(89,008)
Net cash flows used in financing activities		**(100,584)**	**(150,018)**
Net decrease in cash held		**(21,085)**	**(64,274)**
Cash and cash equivalents at beginning of financial year		238,718	302,992
Cash and cash equivalents at end of financial year	**19a**	**217,633**	**238,718**

These financial statements should be read in conjunction with the accompanying notes.

Notes to the financial statements

For year ended 30 June 2018

These financial statements and notes represent those of San Remo District Financial Services Limited.

San Remo Distroct Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 24 September 2018.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

<u>Economic dependency</u>

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branches at San Remo, Cowes and Grantville.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank", the logo, and systems of operation of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**® branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**® branches 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.

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

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank**® branches;
- 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; and
- Sale techniques and proper customer relations.

Note 1. Summary of significant accounting policies (continued)

(b) Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(c) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(d) Comparative figures

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

(e) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

<u>Estimation of useful lives of assets</u>

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

<u>Fair value assessment of non-current physical assets</u>

The AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

<u>Employee benefits provision</u>

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

Note 1. Summary of significant accounting policies (continued)

(e) Critical accounting estimates and judgements (continued)

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(f) New and revised standards that are effective for these financial statements

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 July 2017. Information on the more standard(s) applicable to this entity are presented below.

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses

AASB 2016-1 amends AASB 112 Income Taxes to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.

AASB 2016-1 is applicable to annual reporting periods beginning on or after 1 January 2017.

(g) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set out on the proceeding pages

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on:
   - (i) the objective of the entity's business model for managing the financial assets; and
   - (ii) the characteristics of the contractual cash flows.

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

Note 1. Summary of significant accounting policies (continued)

(g) New accounting standards for application in future periods (continued)

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
- the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018)

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

Note 1. Summary of significant accounting policies (continued)

(g) New accounting standards for application in future periods (continued)

(iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019)

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

Note 2. Revenue

	2018 $	**2017 $**
Revenue		
- service commissions	2,105,470	1,979,052
	2,105,470	**1,979,052**
Other revenue		
- interest received	3,816	4,114
- other revenue	814	681
	4,630	**4,795**
Total revenue	**2,110,100**	**1,983,847**

Revenue arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The entity applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction.

Rendering of services

The entity generates service commissions on a range of products issued by the Bendigo and Adelaide Bank Limited. The revenue includes upfront and trailing commissions, sales fees and margin fees.

Note 2. Revenue (continued)

Interest and other income

Interest income is recognised on an accrual basis using the effective interest rate method.

Other revenue is recognised when the right to the income has been established.

All revenue is stated net of the amount of goods and services tax (GST).

Note 3. Expenses

	2018 $	2017 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	897,457	892,517
- superannuation costs	81,833	78,761
- other costs	59,606	56,922
	1,038,896	**1,028,200**
Depreciation and amortisation		
Depreciation		
- plant & equipment	18,375	20,429
- leasehold improvements	16,500	16,500
- buildings	11,833	12,431
	46,708	**49,360**
Amortisation		
- franchise fees	40,668	40,669
Total depreciation and amortisation	**87,376**	**90,029**
Finance costs		
- Interest paid	633	2,020
Bad and doubtful debts expenses	(2,790)	1,731
Loss on disposal of property, plant and equipment	2,143	6,479
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	6,750	5,333

Operating expenses

Operating expenses are recognised in profit or loss on an accurals basis, which is typically upon utilisation of the service or at the date upon which the entity becomes liable.

Note 3. Expenses (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Depreciation

The depreciable amount of all fixed assets, including buildings leasehold improvements and plant and equipment, is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of asset	Rate	Method
Buildings	2.5%	Straight line
Leasehold improvements	2.5% - 13%	Straight line
Plant and equipment	10% - 33%	Straight line

Gains/losses upon disposal of non-current assets

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Note 4. Income tax

	2018 $	2017 $
a. The components of tax expense comprise:		
Current tax expense	45,230	39,389
Deferred tax expense	(857)	(4,417)
	44,373	**34,972**
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2017: 27.5%)	43,997	33,606
Add tax effect of:		
- Impact of change in tax rate on timing differences	-	144
- Non-deductible expenses	376	-
Income tax attributable to the entity	**44,373**	**33,750**
The applicable weighted average effective tax rate is:	27.74%	28.62%

Note 4. Income tax (continued)

	2018 $	2017 $
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	30,145	24,368
Income tax paid	(61,984)	(33,612)
Current tax	45,230	39,389
	13,391	**30,145**
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Accruals	1,568	1,568
Employee provisions	18,775	18,890
	20,343	**20,458**
Deferred tax liabilities comprise:		
Prepayments	1,350	2,326
Property, plant & equipment	7,440	7,436
	8,790	**9,762**
Net deferred tax asset	**11,553**	**10,696**
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	115	(430)
(Decrease) / increase in deferred tax liabilities	(972)	(3,987)
	(857)	**(4,417)**

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities are measured at the amounts expected to be paid to the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Note 5. Cash and cash equivalents

	2018 $	2017 $
Cash at bank and on hand	217,633	238,718
	217,633	**238,718**

Cash and cash equivalents include cash on hand, deposits available on demand with banks and other short-term highly liquid investments with original maturities of three months or less.

Note 6. Trade and other receivables

	2018 $	2017 $
Current		
Trade receivables	153,805	145,843
Other receivables	1,267	887
	155,072	**146,730**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

Note 6. Trade and other receivables (continued)

Credit risk (continued)

	Gross amount $	Not past due $	Past due but not impaired			Past due and impaired $
			< 30 days $	31-60 days $	> 60 days $	
2018						
Trade receivables	153,805	153,805	-	-	-	-
Other receivables	1,267	1,267	-	-	-	-
Total	**155,072**	**155,072**	**-**	**-**	**-**	**-**
2017						
Trade receivables	145,843	145,843	-	-	-	-
Other receivables	887	887	-	-	-	-
Total	**146,730**	**146,730**	**-**	**-**	**-**	**-**

Note 7. Financial assets

	2018 $	2017 $
Held to maturity financial assets		
Term deposits	177,826	174,398
	177,826	**174,398**

The effective interest rate on the bank deposits was 2.1% (2017: 2.16%). These deposits have terms of 6 months.

(a) Classification of financial assets

The company classifies its financial assets in the following categories:

- loans and receivables
- held to maturity investments

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Loans and receivables

This category is the most relevant to the company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Note 7. Financial assets (continued)

(a) Classification of financial assets (continued)

Held to maturity investments

The entity classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the entity intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

(b) Measurement of financial assets

At initial recognition, the group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.d)

(c) Impairment of financial assets

The entity assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Note 7. Financial assets (continued)

(d) Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire 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. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Note 8. Other assets

	2018 $	2017 $
Prepayments	6,438	6,425
Borrowing costs	7	2,252
Security deposit	500	500
	6,945	**9,177**

Other assets represent items that will provide the entity with future economic benefits controlled by the entity as a result of past transactions or other past events.

Note 9. Property, plant and equipment

	2018 $			2017 $		
	At cost	Accumulated depreciation	Written down value	At cost	Accumulated depreciation	Written down value
Land and buildings	816,513	(58,241)	758,272	816,513	(46,408)	770,105
Leasehold improvements	422,530	(204,995)	217,535	422,530	(188,495)	234,035
Plant and equipment	264,999	(198,981)	66,018	246,363	(196,788)	49,575
Total property, plant and equipment	**1,504,042**	**(462,217)**	**1,041,825**	**1,485,406**	**(431,691)**	**1,053,715**

Land and buildings

Freehold land and buildings are measured at cost and therefore are carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of land and buildings is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.The carrying amount of land and buildings is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

Note 9. Property, plant and equipment (continued)

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(a) Capital expenditure commitments

The entity does not have any capital expenditure commitments at 30 June 2018 (2017: None)

(b) Movements in carrying amounts of PP&E

	Opening written down value	Additions	Disposals	Depreciation	Closing written down value
2018					
Land and buildings	770,105	-	-	(11,833)	758,272
Leasehold improvements	234,035	-	-	(16,500)	217,535
Plant and equipment	49,575	46,052	(11,234)	(18,375)	66,018
Total property, plant and equipment	**1,053,715**	**46,052**	**(11,234)**	**(46,708)**	**1,041,825**
2017					
Land and buildings	782,536	-	-	(12,431)	770,105
Leasehold improvements	250,535	-	-	(16,500)	234,035
Plant and equipment	83,318	5,887	(19,201)	(20,429)	49,575
Total property, plant and equipment	**1,116,389**	**5,887**	**(19,201)**	**(49,360)**	**1,053,715**

Note 10. Intangible assets

	2018 $			2017 $		
	At cost	Accumulated amortisation	Written down value	At cost	Accumulated amortisation	Written down value
Franchise fees	203,343	(111,838)	91,505	203,343	(71,170)	132,173
Total intangible assets	**203,343**	**(111,838)**	**91,505**	**203,343**	**(71,170)**	**132,173**

Franchise fees have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation in the Statement of Profit or Loss and Other Comprehensive Income.

Movements in carrying amounts

	2018 $			2017 $		
	Opening written down value	Amortisation	Closing written down value	Opening written down value	Amortisation	Closing written down value
Franchise fees	132,173	(40,668)	91,505	172,842	(40,669)	132,173
Total intangible assets	**132,173**	**(40,668)**	**91,505**	**172,842**	**(40,669)**	**132,173**

Note 11. Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as “fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Note 12. Trade and other payables

	2018 $	2017 $
Current		
Unsecured liabilities:		
Trade creditors	9,096	13,720
Other creditors and accruals	40,034	96,513
	49,130	**110,233**

Note 12. Trade and other payables (continued)

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

The average credit period on trade and other payables is one month.

Note 13. Borrowings

	2018 $	2017 $
Current		
Secured liabilities		
Bank loan	-	23,778
Chattel mortgage	8,444	6,307
	8,444	**30,085**
Non-current		
Secured liabilities		
Chattel mortgage	14,912	5,200
	14,912	**5,200**
Total borrowings	**23,356**	**35,285**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measures at amortised cost. Any diference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings as classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Loans

The company had a mortgage loan which was subject to normal terms and conditions which was repaid during 2018. This loan was created to fund the purchase of the freehold property from which the Cowes branch is operated, and was secured by this property.

Chattel mortgage

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 chattel mortgages (finance leases).

Chattel mortgages are capitalised by recognising 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 liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Note 14. Provisions

	2018 $	2017 $
Current		
Provision for dividends	94,547	93,878
Employee Benefits	61,557	64,301
	156,104	**158,179**
Non-current		
Employee benefits	6,716	4,391
Total provisions	**162,820**	**162,570**

<u>Short-term employee benefits</u>

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

<u>Other long-term employee benefits</u>

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

<u>Provision for dividends</u>

A provision is made for the amount of any dividends declared, authorised and no longer payable at the discretion of the entity on or before the end of the financial year, but not distributed at balance date.

Note 15. Share capital

	2018 $	2017 $
650,011 Ordinary shares fully paid of $1 each	650,011	650,011
436,498 Ordinary shares fully paid of $1 each for Cowes branch	436,498	436,498
337,230 Ordinary shares fully paid of $1 each for Grantville branch	337,230	337,230
65,000 1:10 Bonus shares issued for no consideration	-	-
	1,423,739	**1,423,739**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(a) Movements in share capital

Fully paid ordinary shares:

At the beginning of the reporting period	1,488,739	1,488,739
Shares issued during the year	-	-
At the end of the reporting period	**1,488,739**	**1,488,739**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

(b) 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 Statement of Financial Position.

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

(i) the Distribution Limit is the greater of:

  (a) 20% of the profit or funds of the company 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; and

(ii) 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 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

Note 16. Retained earnings

	2018 $	2017 $
Balance at the beginning of the reporting period	3,635	5,728
Profit for the year after income tax	115,616	87,232
Dividends paid	(89,328)	(89,325)
Balance at the end of the reporting period	**29,923**	**3,635**

Note 17. Dividends paid or provided for on ordinary shares

	2018 $	2017 $
Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 6 cents per share (2017: 6 cents) franked at the tax rate of 27.5% (2017: 27.5%).	89,328	89,325

Note 18. Earnings per share

	2018 $	2017 $
Basic earnings per share (cents)	7.77	5.86
Earnings used in calculating basic earnings per share	115,616	87,232
Weighted average number of ordinary shares used in calculating basic earnings per share.	1,488,739	1,488,739

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servcing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjsuted for bonus elements in ordinary shares issues during the year.

Note 19. Statement of cash flows

	2018 $	2017 $
(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:		
Cash and cash equivalents (Note 5)	217,633	238,718
As per the Statement of Cash Flow	**217,633**	**238,718**

Note 19. Statement of cash flows (continued)

	2018 $	2017 $
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year after income tax	115,616	87,232
Non-cash flows in profit		
- Depreciation and amortisation	87,376	90,029
- Bad debts	-	1,731
- Net loss on disposal of property, plant & equipment	2,143	6,479
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(8,342)	(14,835)
- (increase) / decrease in prepayments and other assets	2,232	1,305
- (Increase) / decrease in deferred tax asset	(857)	(4,417)
- Increase / (decrease) in trade and other payables	(61,107)	(94,279)
- Increase / (decrease) in current tax liability	(16,754)	5,777
- (Decrease) / increase in franchise fee payable	67,781	-
- Increase / (decrease) in provisions	(419)	4,113
Net cash flows from operating activities	**187,669**	**83,13 5**

Note 20. Key management personnel and related party disclosures

(a) Key management personnel

Key management personnel includes any person having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company.

All Director positions are held on a voluntary basis and Directors are not remunerated for their services.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

Name of related party	Description of goods / services provided	Value $
Newhaven Hardware - related party of Terry Ashenden	Purchase of adhoc hardware and supplies	5,250
Park Accommodation - related party of Joan Matthews	Rent paid in respect of branch activities	42,503

Note 20. Key management personnel and related party disclosures (continued)

(d) Key management personnel shareholdings

The number of ordinary shares in San Remo District Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2018	2017
Terry Ashenden	5,501	8,551
Joan Matthews	11,801	17,801
Miranda Sage	7,500	7,500
Caroline Talbot	3,200	3,200
Janice Rowlingson	3,300	9,900
Bruce Proctor	1,000	1,000
Patrick Russell	2,000	2,000
Paul Waylen	26,000	-
Peter Paul	500	11,650
Greg Mead	2,200	-
Ray McNamara	-	11,100
Craig Semple	-	8,000
	63,002	**80,702**

Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions

There has been no other transactions key management or related parties other than those described above.

Note 21. Events after the reporting period

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

Note 22. Contingent liabilities and contingent assets

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

Note 23. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Bass Coast Shire, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2017: 100%).

Note 24. Commitments

Operating lease commitments

	2018 $	2017 $
Payable:		
- no later than 12 months	63,005	62,000
- between 12 months and five years	79,972	142,976
- greater than five years	-	-
Minimum lease payments	**142,977**	**204,976**

The property leases are non-cancellable lease with five year terms, with rent payable monthly in advance, and CPI and fixed increases each year.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Finance lease commitments

Finance lease liabilitis are payable exclusive of GST as follows:

	2018 $	2017 $
Payable:		
- no later than 12 months	9,292	7,233
- between 12 months and five years	15,486	5,200
- greater than five years	-	-
Minimum lease payments	**24,778**	**12,433**
Less future interest charges	-	(926)
Finance lease liability	**24,778**	**11,507**

Chattel mortgage liabilities comprise a lease of a vehicle under normal commercial terms and conditions repayable over five years.

Note 25. Company details

The registered office and principle place of business is 103A Marine Parade, SAN REMO, VIC 3925

Note 26. Financial instrument risk

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 Financial Instruments: Recognition and Measurement as detailed in the accounting policies are as follows:

	Note	2018 $	2017 $
Financial assets			
Cash and cash equivalents	5	217,633	238,718
Trade and other receivables	6	155,072	146,730
Financial assets	7	177,826	174,398
Total financial assets		**550,531**	**559,846**
Financial liabilities			
Trade and other payables	12	49,130	110,233
Borrowings	13	23,356	35,285
Total financial liabilities		**72,486**	**145,518**

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the table above.

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

Note 26. Financial instrument risk (continued)

(a) Credit risk (continued)

None of the assets of the company are past due (2017: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

30 June 2018	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents		217,633	217,633	-	-
Trade and other receivables		155,072	155,072	-	-
Financial assets	2.10%	177,826	177,826	-	-
Total anticipated inflows		**550,531**	**550,531**	**-**	**-**
Financial liabilities					
Trade and other payables		49,130	49,130	-	-
Borrowings	5.80%	23,356	8,444	14,912	-
Total expected outflows		**72,486**	**57,574**	**14,912**	**-**
Net inflow / (outflow) on financial instruments		**478,045**	**492,957**	**(14,912)**	**-**

Note 26. Financial instrument risk (continued)

(b) Liquidity risk (continued)

30 June 2017	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents		238,718	238,718	-	-
Trade and other receivables		146,730	146,730	-	-
Financial assets	2.16%	174,398	174,398	-	-
Total anticipated inflows		**559,846**	**559,846**	**-**	**-**
Financial liabilities					
Trade and other payables		110,233	110,233	-	-
Borrowings	4.94%	35,285	30,085	5,200	-
Total expected outflows		**145,518**	**140,318**	**5,200**	**-**
Net inflow / (outflow) on financial instruments		**414,328**	**419,528**	**(5,200)**	**-**

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The company has no exposure to fluctuations in foreign currency, or any exposure to a material price risk.

The financial instruments that primarily expose the company to interest rate risk are borrowings, fixed interest securities, and cash and cash equivalents.

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	2018		2017	
	Profit $	**Equity $**	**Profit $**	**Equity $**
+/- 1% in interest rates (interest income)	3,955	3,955	4,131	4,131
+/- 1% in interest rates (interest expense)	(234)	(234)	(353)	(353)
	3,721	**3,721**	**3,778**	**3,778**

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

Directors' declaration

In accordance with a resolution of the Directors of San Remo District Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 11 to 38 are in accordance with the *Corporations Act 2001* and:

   (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

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

2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This resolution is made in accordance with a resolution of the Board of Directors.

Terence S Ashenden
Director

Signed at Newhaven on 24 September 2018.

rsd Audit
41A Breen Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552

Ph: (03) 4435 3550
admin@rsdaudit.com.au
www.rsdaudit.com.au

AUDITOR'S REPORT
TO THE MEMBERS OF SAN REMO FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of San Remo Financial Services Limited, which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion:

(a) the financial report of San Remo 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 then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001;* and

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

Independence

We are independent of the entity 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

Director's Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. 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. Misstatements 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.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. On connection with our audit of the financial report, our responsibility is to read the other information, 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, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSD Audit
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 24 September 2018

San Remo District **Community Bank**® Branch
103A Marine Parade, San Remo VIC 3925
Phone: (03) 5678 5833
www.bendigobank.com.au/san_remo

Cowes **Community Bank**® Branch
Shop 1, 209 -213 Settlement Road, Cowes VIC 3922
Phone: (03) 5952 3383
www.bendigobank.com.au/cowes

Grantville & District **Community Bank**® Branch
Shop 2, 1503 Bass Highway, Grantville VIC 3984
Phone: (03) 5678 8773
www.bendigobank.com.au/grantville

Franchisee: San Remo District Financial Services Limited
PO Box 101, San Remo VIC 3925
Phone: (03) 5956 7658
ABN: 20 102 770 150
www.bendigobank.com.au

Share Registry:
Richmond Sinnott & Delahunty
32 Garsed Street, Bendigo VIC 3550
Postal Address:
PO Box 30, Bendigo VIC 3552
Phone: (03) 5445 4200 Fax: (03) 5444 4344
Email: shareregistry@rsdadvisors.com.au
www.rsdadvisors.com.au

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