2018
Annual Report

South Burdekin Community
Financial Services Limited
ABN 86 113 530 902

Home Hill **Community Bank**® Branch
Ayr **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2018

I am delighted to have the opportunity to present our Annual Report to the shareholders of South Burdekin Community Financial Services Limited for the 2018 financial year.

As you all would be aware we finalised the transaction for the purchase of the Ayr branch of Bendigo and Adelaide Bank Limited during June 2017 by way of an overdraft facility and some cash reserves held by the company. Now that we have had a full year trading in Ayr, it is the intention of the Board to issue a prospectus so that all Ayr residents have the opportunity to purchase shares in their very own **Community Bank**® branch. The capital raised will be used to retire debt. We can proceed with this in early 2019, after we have met all the regulatory requirements. With the additional volume and mix that comes with the Ayr **Community Bank**® Branch we believe we are able to handle the current economic climate of very low interest rates that has affected our margins slightly. With the volume increase we are capable of producing a steady profit for which the team has worked hard to achieve. We have a total business portfolio of $141.5 million between the two branches. I believe this is a great result under the current low interest environment, and it shows that we are now making a difference to the banking services that we are able to provide to our community.

Rebecca Roy, our Senior Branch Manager, and her wonderful and dedicated staff have as always performed their duties in a most professional and efficient manner and this has been the backbone of our growth for the past years. I would also like to acknowledge Karen McKaig and Debbie Marano who have left our **Community Bank**® branches after many years of service; I thank all of the staff for their continued support of the Directors and myself in our quest of achieving our common goal of profitable branches and company.

I would like to again thank my fellow Directors. They are an amazing group of community minded people who have always given of their time and support to achieve our goals and objectives. Some of our Directors have been involved with this project for nearly 15 years and I thank them for their continued enthusiasm and support. As advised in the past, once we had acquired the Ayr branch we would look to appoint more Directors from Ayr and we have appointed Kim Casey. Kim is a very community minded person and will add value to our Board. As new Directors join our Board they come with fresh ideas and views which will enable us to grow both of our **Community Bank**® branches. We are all able to see the steady profits that will benefit our shareholders and provide funding for projects for our community in the future.

Our partners Bendigo and Adelaide Bank Limited and their regional staff have always been very supportive and continue to encourage us. Regional Community Manager North and Central Queensland Geoff Power, and Agribusiness Manager Angelo Rigano have been invaluable at times with their guidance in our branch operations and their attendance at our Board meetings has been greatly appreciated. I would like on behalf of the Board to thank them for their support.

In closing, without the support, generosity and the confidence of our shareholders and the community we would not have achieved these results thus far. I thank all of those who have supported and encouraged us and I would ask again that all shareholders should become advocates and try to encourage more of our community members to explore the products and services that our **Community Bank**® branches and staff have to offer. If you are a shareholder and you don't bank with us, why not? Surely you want a return on your investment in our **Community Bank**® branches.

Yours sincerely,

Darren West
Chairman

Manager’s report

For year ending 30 June 2018

Community is as important to us as it is to its members.

It is my pleasure as Senior Branch Manager to present our Annual Report for the Home Hill and Ayr **Community Bank**® branches.

With our biggest achievement to date, we are proud once again to announce the purchase of the Bendigo Bank Ayr branch which now means we have two **Community Bank**® branches to assist us with supporting you! The purchase was finalised in June 2017 and we celebrated this milestone occasion at the Burdekin Rugby League Club of Origin Community Day. Economically, this year has been a tough year and we ended the financial year with total combined business held of $141 million a decrease of $1 million from the end of last financial year. This was due to property sales, diversification and also business restructures. We believe we will continue to leverage the core strength of Bendigo Bank as this year we ranked third most trusted brand in Australia! We are also regularly recognised for our competitive rates, being easy to use and understand, and for meeting our customer’s needs so as shareholders you are the key to the continued growth of our **Community Bank**® branches.

When is the last time we reviewed your banking to see if it is still meeting your needs? Our friendly staff would love to hear from you and your family and friends to see if we can lend you money, make you money, take care of your protection needs or assist with ways to save you time and convenience. Call us today!

Our continued focus on supporting the youth in our community saw us once again offer our $10,000 University Scholarship for the sixth year in a row. Congratulations to Dakota Morris who was our recipient for 2018. We wish her all the best with her studies and are proud to be supporting our next generation of future leaders. To date we have sent 176 young drivers from the Home Hill High School to advance driver training in Townsville to assist with education and keeping all members of our community safe.

We are encouraged by the support of the community to date and believe that as we partner with businesses and organisations this will allow us to remain at the forefront of our community members minds. This is a clear strategic objective as it is the Bank’s long-held belief that our success will come from focusing on the success of all the stakeholders in our business and in our community.

Our “one team” focus in Burdekin across both branches introduces some ongoing and also some new staff to the team. Introducing Christine Grimbaldeston, Cassy Bonanno, Elizabeth Sheahan, Chloe Rossiter, Jessica Chatfield, Kelly McAllister and Pauline Moore. We are committed to our customers and our local community and this year we have been working with Burdekin Rugby League, Burdekin Race Club and are also proudly the major sponsors of the netball Bendigo Bank Burdekin Silverlinks. We had the pleasure of presenting the Classic Ladies Award this year at the Burdekin Race Club which was a fun day had by all! Locally, we also took the opportunity to raise money and assisted community groups in our area working hard to support our community.

I would like to say a massive thank you to our Board of Directors for your ongoing support and your investment into our **Community Bank**® branches with your tireless volunteer hours and endless support along with your commitment to assisting our branches grow. Your encouragement and commitment is greatly appreciated. Thank you also to our shareholders and customers who are advocates of the Bank. By banking with us we are able to support our community and achieve our goal to be Australia’s most Customer Connected Bank. Our full complement of products and services that are available at your **Community Bank**® branches can help you to grow your business which in turn supports us and our profits are returned to the community.

Manager's report (continued)

I extend my appreciation to our Regional Managers led by Geoff Power and Tresna Malone, our Agribusiness Manager Angelo Rigano, and the Business Banking team that have supported and assisted us through an economically tough year for the Bank. Australia wide **Community Bank**® branches are improving the communities they are part of and locally we are doing just that.

Yours sincerely,

Rebecca Roy
Branch Manager

Scholarships, grants and dividends

Report of scholarships and grants

South Burdekin Community Financial Services Limited operates the Home Hill and Ayr **Community Bank**® branches and we are proud to invest in the Burdekin community through various scholarships and grants. Since opening the Home Hill **Community Bank**® Branch in 2005, over $284,000 has been invested directly into the community.

$284,000 invested in our community since 2005.

The table below summarises the major monetary values disbursed to the community in the 2017/18 financial year (rounded to the nearest dollar).

Scholarships		
Program	**Name**	**Value $**
Student Scholarship	Erin Saroglia	5,263
Student Scholarship	Dakota Morris	5,263
Scholarships		
Organisation	**Project Title**	**Value $**
Ayr Tennis Association	Burdekin Open & Age Championships Gold Sponsor	500
Burdekin Festival of Arts	Annual Burdekin Festival of Arts event	75
Burdekin Junior Eisteddfod	Annual Burdekin Junior Eisteddfod	70
Burdekin Race Club	Annual Burdekin Grower's Race Day – Gold Sponsor	3,300
Burdekin Rugby League	Name rights – Club of Origin 2017	1,000
Golden Octopus Foundation	Burdekin RUM Weekend	150
Home Hill State High School	Advanced Driver Training – 27 students	4,963
Home Hill State High School	Annual Accountancy Award	160
Burdekin Netball Association	Major Sponsor Burdekin Silverlinks– 2018 Season	5,000
Donations		
Organisation	**Project Title**	**Value $**
Scripture Union	Burdekin Chaplaincy	200
Sweet FM Radio	School Children's Program	600
Home Hill Harvest Festival	Home Hill Harvest Festival Mardi Gras	500

Dividend payment history

Below is a summary of the dividends paid to shareholders to date:

Dividend to shareholders			
Financial Year	**Amount Per Share**	**Franking Level**	**Date Paid**
2010/2011	.05	0%	20/12/2010
2011/2012	.07	0%	19/12/2011
2012/2013	.09	0%	19/12/2012
2013/2014	.07	0%	13/12/2013
2014/2015	.05	100%	12/12/2014
2015/2016	.03	100%	15/12/2015
2016/2017	-	-	-
2017/2018	-	-	-

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

Directors' report

For the financial year ended 30 June 2018

Your directors submit the financial statements of the company for the financial year ended 30 June 2018.

Directors

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

Robert Darren West

Chairman

Occupation: Motor Vehicle Dealer Principal/ Managing Director

Qualifications, experience and expertise: Past President of Ayr Burdekin Rotary Club (3 years), Past Chairman of Burdekin Crimestoppers Incorporated (11 years), Past QLD Dealer Representative for Toyota Financial Services National Dealer Council (2002 - 2009), Past Chairman of the Toyota Dealers Association of North Queensland Ltd (2010 - 2016), and Past Director of the National Toyota Dealers Association Limited (2010 - 2016).

Special responsibilities: Chairman, Audit Committee, Marketing Committee

Interest in shares: 6,601

Nancy Robyn Haller

Treasurer

Occupation: Company Director

Qualifications, experience and expertise: Director of Scorpion Jacks International, servicing the mining industry in Australia. Charter Member and Past President of the Zonta Club of Burdekin Inc.

Special responsibilities: Treasurer, Marketing Committee

Interest in shares: 5,501

Colin Richard Casswell

Director

Occupation: Sales/Administration Officer

Qualifications, experience and expertise: Diploma of Business with 17 years of banking experience. Currently working in Administration and Sales for Home Hill Stock Feeds. Past employment includes Electorate Officer for past state member Rosemary Menkens. Currently the Secretary and life member for Home Hill tennis association, and company member for Tennis Queensland.

Special responsibilities: Insurance monitor

Interest in shares: 551

Loizos Andreas Loizou

Director

Occupation: Sugar Cane Grower

Qualifications, experience and expertise: Active parishioner of St Stephens Greek Orthodox Church. Member of Queensland Cane Growers. Past Councillor 22 years. Past Director of South Burdekin Water Board. Past Director of Burdekin River Improvement Trust.

Special responsibilities: Audit Committee

Interest in shares: 6,711

Directors (continued)

Constantine Arthur Christofides

Director

Occupation: Sugar Cane Farmer - Self Employed

Qualifications, experience and expertise: Own and manage family cane farm. Treasurer of Greek community of Home Hill and Ayr.

Special responsibilities: Audit Committee, Marketing Committee

Interest in shares: 4,400

Paul Raymond Benvenuti

Director

Occupation: Retailer/Tradesman

Qualifications, experience and expertise: Small business owner/operator of Ben's Leading Appliances and Burdekin Communications. Current member of various community groups and organisations. Past President of Home Hill Chamber of Commerce. Previous member and Chairman of Home Hill Rotary Club.

Special responsibilities: Marketing Committee

Interest in shares: 2,200

Max Angelo Musumeci

Director

Occupation: Farmer

Qualifications, experience and expertise: Farming since 1994. Real Estate Sales Consultant 2008 - 2014. Co-ordinator of Home Hill Canefield Ashes Cricket Carnival 2011, 2012, 2013. Junior Vice President of Home Hill Cricket Association 2011 - 2014. While farming for past 20 years, have held many part time positions including servicing mining equipment, mine maintenance, cane harvesting, and hauling.

Special responsibilities: Marketing Committee

Interest in shares: 550

Kim Elizabeth Casey

Director (Appointed 16 May 2018)

Occupation: Regulatory Reporting Manager

Qualifications, experience and expertise: Bachelor Applied Science (B.A.Sc.) (Mathematics). Diverse experience across varied utilities industry roles, including over 10 years specialising in State and National legislative and regulatory, reporting or compliance matters affecting economic regulation in the electricity sector for Ergon Energy and now, Energy Queensland. Prior experience includes investor and corporate relations for Suncorp Group; corporate credit ratings at FitchRatings (Australia and New Zealand), specialist investment management advice and Australian equities analysis.

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

There were two company secretaries during the year, Deborah Marano and Nicole Tennant. Deborah was appointed to the position on 26 April 2012 and ceased on 29 January 2018. Nicole Tennant was then appointed to the position on 1 February 2018. Nicole completed her Bachelor of Business (majoring in Accounting) degree at James Cook University in 2014. She started a full-time position at ML partners Pty Ltd in February 2014 in Ayr, moving over to the Home Hill office in May 2015.

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank®** services under management rights to operate franchised branches 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 $
114,222	7,544

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended	
	Eligible	Attended
Robert Darren West	11	11
Nancy Robyn Haller	11	9
Colin Richard Casswell	11	8
Loizos Andreas Loizou	11	11
Constantine Arthur Christofides	11	7
Paul Raymond Benvenuti	11	8
Max Angelo Musumeci	11	7
Kim Elizabeth Casey (Appointed 16 May 2018)	2	2

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, in accordance with the advice received from the audit committee 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 audit committee 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 11.

Signed in accordance with a resolution of the board of directors at Home Hill, Queensland on 8 September 2018.

Robert Darren West,
Chairman

Auditor's independence declaration

AFS
Partners in success
Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

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

As lead auditor for the audit of South Burdekin 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 August 2018

David Hutchings
Lead Auditor

Taxation | Audit | Business Services

Financial statements

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

	Notes	2018 $	2017 $
Revenue from ordinary activities	4	1,030,595	552,085
Employee benefits expense		(483,230)	(264,836)
Charitable donations, sponsorship, advertising and promotion		(30,198)	(31,540)
Occupancy and associated costs		(128,169)	(90,338)
Systems costs		(36,467)	(16,738)
Depreciation and amortisation expense	5	(59,455)	(30,927)
Finance costs	5	(8,558)	(30)
General administration expenses		(130,124)	(99,747)
Loss on disposal of asset	5	-	(7,865)
Profit before income tax		**154,394**	**10,064**
Income tax expense	6	(40,172)	(2,520)
Profit after income tax		**114,222**	**7,544**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**114,222**	**7,544**

Earnings per share		**¢**	**¢**
Basic earnings per share	23	16.20	1.07

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2018

	Notes	2018 $	2017 $
ASSETS			
Current assets			
Cash and cash equivalents	7	344,910	191,915
Trade and other receivables	8	42,401	62,258
Current tax asset	11	-	6,929
Total current assets		**387,311**	**261,102**
Non-current assets			
Property, plant and equipment	9	120,521	146,400
Intangible assets	10	277,116	307,207
Deferred tax asset	11	-	12,226
Total non-current ssets		**397,637**	**465,833**
Total assets		**784,948**	**726,935**
LIABILITIES			
Current liabilities			
Trade and other payables	12	48,211	76,526
Current tax liabilities	11	10,278	-
Borrowings	13	225,800	225,800
Provisions	14	13,049	38,696
Total current liabilities		**297,338**	**341,022**
Non-current liabilities			
Trade and other payables	12	15,222	45,416
Deferred tax liabilities	11	17,668	-
Total non-current liabilities		**32,890**	**45,416**
Total liabilities		**330,228**	**386,438**
Net assets		**454,720**	**340,497**
EQUITY			
Issued capital	15	603,246	603,246
Accumulated losses	16	(148,527)	(262,749)
Total equity		**454,719**	**340,497**

The accompanying notes form part of these financial statements.

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

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2016		603,246	(270,293)	332,953
Total comprehensive income for the year		-	7,544	7,544
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Equity raising costs			-	-
Dividends provided for or paid		-	-	-
Balance at 30 June 2017		**603,246**	**(262,749)**	**340,497**
Balance at 1 July 2017		603,246	(262,749)	340,497
Total comprehensive income for the year		-	114,222	114,222
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Equity raising costs		-	-	-
Dividends provided for or paid		-	-	-
Balance at 30 June 2018		**603,246**	**(148,527)**	**454,719**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		1,052,634	579,749
Payments to suppliers and employees		(890,666)	(545,195)
Interest received		2,293	3,119
Interest paid		(8,558)	(30)
Income taxes paid		6,930	10,466
Net cash provided by operating activities	**17**	**162,633**	**48,109**
Cash flows from investing activities			
Payments for property, plant and equipment		(3,484)	(90,839)
Payments for intangible assets		(6,154)	(218,490)
Net cash used in investing activities		**(9,638)**	**(309,329)**
Net increase/(decrease) in cash held		**152,995**	**(261,220)**
Cash and cash equivalents at the beginning of the financial year		(33,885)	227,335
Cash and cash equivalents at the end of the financial year	**7(a)**	**119,110**	**(33,885)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For 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.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

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.

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 $178,453, 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 Home Hill and Ayr, Queensland.

The branches 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 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.

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**® 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 manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Note 1. Summary of significant accounting policies (continued)

b) Revenue

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

Revenue calculation

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Commission

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

Fee income

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

Discretionary financial contributions

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

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Discretionary financial contributions (continued)

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and donations. It is for the board to decide how to use the MDF.

The payments from Bendigo and Adelaide Bank Limited are discretionary and Bendigo and Adelaide Bank Limited may change the amount or stop making them at any time.

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.

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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.

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.

Note 1. Summary of significant accounting policies (continued)

g) Property, plant and equipment (continued)

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:

- plant and equipment 2.5 - 40 years
- motor vehicles 3 - 5 years

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.

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

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.

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions of other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

n) Issued capital

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

o) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Note 2. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

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

The distribution limit is the greater of:

(a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2018 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from carried-forward tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the Statement of Profit or Loss and Other Comprehensive Income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

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.

	2018 $	**2017 $**
Note 4. Revenue from ordinary activities		
Operating activities:		
- gross margin	647,151	306,195
- services commissions	237,798	167,424
- fee income	70,852	37,412
- market development fund	72,500	38,125
Total revenue from operating activities	**1,028,301**	**549,156**
Non-operating activities:		
- interest received	2,294	2,929
Total revenue from non-operating activities	2,294	2,929
Total revenues from ordinary activities	**1,030,595**	**552,085**

Revenue has increased during this financial year due to the purchase of a second branch, Ayr, in June 2017 from Bendigo and Adelaide Bank Limited.

	2018 $	2017 $

Note 5. Expenses

	2018 $	2017 $
Depreciation of non-current assets:		
- plant and equipment	28,062	14,260
- motor vehicle	1,301	1,735
Amortisation of non-current assets:		
- franchise agreement	4,320	2,433
- process establishment fee	14,348	1,149
- franchise renewal fee	11,343	11,343
- borrowing costs amortised	81	7
	59,455	**30,927**
Finance costs:		
- interest paid (i)	**8,558**	**30**
Bad debts	**1,231**	**728**
Loss on disposal of asset	**-**	**7,865**

(i) Interest paid have increased during the 2017/18 financial year due to the opening of an overdraft account in June 2017 to purchase a second branch, Ayr.

Note 6. Income tax expense

	2018 $	2017 $
The components of tax expense comprise:		
- Current tax	10,278	-
- Future income tax benefit attributable to losses	-	(6,153)
- Movement in deferred tax	10,791	8,673
- Recoupment of prior year tax losses	21,312	-
- Under/(over) provision of tax in the prior period	(2,209)	-
	40,172	**2,520**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	154,394	10,064
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	42,459	2,813
Add tax effect of:		
- non-deductible expenses	307	2,254
- timing difference expenses	(10,791)	(10,835)
- other deductible expenses	(385)	(385)
	31,590	**(6,153)**

	Note	2018 $	2017 $
Note 6. Income tax expense (continued)			
Movement in deferred tax		10,791	8,673
Under/(over) provision of income tax in the prior year		(2,209)	-
		40,172	**2,520**

Note 7. Cash and cash equivalents

	Note	2018 $	2017 $
Cash at bank and on hand		143,224	191,915
Term deposits		201,686	-
		344,910	**191,915**
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		143,224	191,915
Term deposits		201,686	-
Bank overdraft	13	(225,800)	(225,800)
		119,110	**(33,885)**

Note 8. Trade and other receivables

	Note	2018 $	2017 $
Trade receivables		27,746	42,707
Prepayments		14,047	19,551
Other receivables and accruals		608	-
		42,401	**62,258**

Note 9. Property, plant and equipment

	Note	2018 $	2017 $
Plant and equipment			
At cost		194,192	190,708
Less accumulated depreciation		(77,576)	(49,514)
		116,616	**141,194**
Motor vehicles			
At cost		22,075	22,075
Less accumulated depreciation		(18,170)	(16,869)
		3,905	**5,206**
Total written down amount		**120,521**	**146,400**

	2018 $	2017 $
Note 9. Property, plant and equipment (continued)		
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	141,194	72,487
Additions	3,484	82,967
Disposals	-	-
Less: depreciation expense	(28,062)	(14,260)
Carrying amount at end	**116,616**	**141,194**
Motor vehicles		
Carrying amount at beginning	5,206	6,941
Additions	-	-
Disposals	-	-
Less: depreciation expense	(1,301)	(1,735)
Carrying amount at end	**3,905**	**5,206**
Total written down amount	**120,521**	**146,400**

Note 10. Intangible assets

Franchise fee		
At cost	89,122	89,122
Less: accumulated amortisation	(80,647)	(76,327)
	8,475	**12,795**
Establishment fee		
At cost	43,044	43,044
Less: accumulated amortisation	(15,497)	(1,149)
	27,547	**41,895**
Renewal processing fee		
At cost	114,839	114,839
Less: accumulated amortisation	(92,154)	(80,811)
	22,685	**34,028**
Redomicile fee		
At cost	218,093	218,093
Less: accumulated impairment losses	-	-
	218,093	**218,093**

	2018 $	2017 $
Note 10. Intangible assets (continued)		
Borrowing costs		
At cost	316	403
Less: accumulated impairment losses	-	(7)
	316	**396**
Total written down amount	**277,116**	**307,207**

Note 11. Tax

	2018 $	2017 $
Current:		
Income tax payable/(refundable)	**10,278**	**(6,929)**
Non-Current:		
Deferred tax assets		
- accruals	770	4,832
- employee provisions	3,588	10,641
- tax losses carried forward	-	20,795
	4,358	**36,268**
Deferred tax liability		
- accruals	167	-
- property, plant and equipment	17,996	18,620
- deductible prepayments	3,863	5,422
	22,026	**24,042**
Net deferred tax asset/(liability)	**(17,668)**	**12,226**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**29,894**	**2,520**

Note 12. Trade and other payables

	2018 $	2017 $
Current:		
Trade creditors	36,235	57,178
Other creditors and accruals	11,976	19,348
	48,211	**76,526**
Non-Current:		
Other creditors and accruals	**15,222**	**45,416**

	2018 $	2017 $

Note 13. Borrowings

Current:		
Bank overdrafts	225,800	225,800
	225,800	**225,800**

The company has two overdraft facilities, with a combined approved limit of $275,000, drawn to $225,800 as at 30 June 2018. Interest is recognised at an average rate of 3.78%. The overdrafts are secured by fixed and floating charges over the company's assets.

Note 14. Provisions

Current:		
Provision for annual leave	5,307	9,653
Provision for long service leave	7,742	29,043
	13,049	**38,696**

Note 15. Issued capital

641,060 ordinary shares fully paid (2017: 641,060)	641,060	641,060
Less: equity raising expenses	(37,814)	(37,814)
	603,246	**603,246**

A bonus share issues on a 10:1 basis (64,099 shares) was issued to all exisiting shareholders on 29 April 2015.

Shares on issue 1 July 2017		
Opening balance	705,159	705,159
Closing balance at 30 June 2018	**705,159**	**705,159**

Rights attached to shares

(a) Voting rights

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

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** branch have the same ability to influence the operation of the company.

Note 15. Issued capital (continued)

Rights attached to shares (continued)

(b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001*.

Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if 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 304. As at the date of this report, the company had 311 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 member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

	2018 $	2017 $

Note 16. Accumulated losses

	2018 $	2017 $
Balance at the beginning of the financial year	(262,749)	(270,293)
Net profit from ordinary activities after income tax	114,222	7,544
Balance at the end of the financial year	**(148,527)**	**(262,749)**

Note 17. Statement of cash flows

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

	2018 $	2017 $
Profit from ordinary activities after income tax	114,222	7,544
Non cash items:		
- depreciation	29,363	15,995
- amortisation	30,092	14,932
- loss on disposal of assets	-	7,865
Changes in assets and liabilities:		
- (increase)/decrease in receivables	19,857	(22,969)
- (increase)/decrease in other assets	19,155	12,986
- increase/(decrease) in payables	(52,355)	12,927
- increase/(decrease) in provisions	(25,648)	(1,171)
- increase/(decrease) in current tax liabilities	27,947	-
Net cash flows provided by operating activities	**162,633**	**48,109**

Note 18. Leases

Operating lease commitments

	2018 $	2017 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	97,312	98,830
- between 12 months and 5 years	81,141	173,256
	178,453	**272,086**

The Home Hill branch lease is a non-cancellable lease with a five year term, with rent payable monthly in advance. The lease began in July 2015, with two five year lease extension options available.

The Ayr lease is a non-cancellable lease with a five year term, with rent payable monthly in advance. The lease began in April 2014, with one five year lease extension option available.

	2018 $	2017 $

Note 19. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:

	2018 $	2017 $
- audit and review services	4,400	5,250
- share registry services	1,885	1,885
- non audit services	1,830	1,755
	8,115	**8,890**

Note 20. Director and related party disclosures

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

Robert Darren West
Nancy Robyn Haller
Colin Richard Casswell
Loizos Andreas Loizou
Constantine Arthur Christofides
Paul Raymond Benvenuti
Max Angelo Musumeci
Kim Elizabeth Casey (Appointed 16 May 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 $
Darren West provided motor vehicle servicing and parts to the company to the value of:	431	-

Directors' Shareholdings	**2018**	**2017**
Robert Darren West	6,601	6,601
Nancy Robyn Haller	5,501	5,501
Colin Richard Casswell	551	551
Loizos Andreas Loizou	6,711	6,711
Constantine Arthur Christofides	4,400	4,400
Paul Raymond Benvenuti	2,200	2,200
Max Angelo Musumeci	550	550
Kim Elizabeth Casey (Appointed 16 May 2018)	-	-

There was no other movement in directors' shareholdings during the year.

Note 21. Franking account

	2018 $	2017 $
a. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	47,977	49,252
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	9,961	(6,929)
- 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:	**57,938**	**42,323**
- 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	**57,938**	**42,323**

Note 22. Key management personnel disclosures

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

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

Community Bank® Directors' Privileges Package

The board has adopted the **Community Bank**® Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank**® branches at Home Hill and Ayr, Queensland. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the directors from the Directors' Privilege Package are $646.64 for the year ended 30 June 2018 (2017: $2,871).

Note 23. Earnings per share

	2018 $	2017 $
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	114,222	7,544

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	705,159	705,159

Note 24. Events occurring after the reporting date

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

Note 25. Contingent liabilities and contingent assets

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

Note 26. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Home Hill and Ayr, 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 C
129-141 Eighth Avenue
Home Hill QLD 4806

Principal Place of Business

Shop C
129-141 Eighth Avenue
Home Hill QLD 4806

111 Queen Street
Ayr QLD 4807

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.

	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 %**	**2017 %**
Financial assets												
Cash and cash equivalents	143,056	191,827	201,686	-	-	-	-	-	168	88	1.44	1.20
Receivables	-	-	-	-	-	-	-	-	27,746	42,707	N/A	N/A
Financial liabilities												
Interest bearing liabilities	225,800	225,800	-	-	-	-	-	-	-	-	3.78	0.15
Payables	-	-	-	-	-	-	-	-	36,235	57,178	N/A	N/A

Note 28. Financial instruments (continued)

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

As at 30 June 2018, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2018 $	**2017 $**
Change in profit/(loss)		
Increase in interest rate by 1%	1,189	(340)
Decrease in interest rate by 1%	(1,189)	340
Change in equity		
Increase in interest rate by 1%	1,189	(340)
Decrease in interest rate by 1%	(1,189)	340

Directors' declaration

In accordance with a resolution of the directors of South Burdekin 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.

Robert Darren West,
Chairman

Signed on the 8th of September 2018.

Partners in success
Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

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

Report on the audit of the financial statements

Our opinion
In our opinion, the financial report of South Burdekin 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
South Burdekin 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 August 2018

David Hutchings
Lead Auditor

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