



Annual Report 2018

Stanthorpe Regional Community
Financial Services Limited

ABN 48 605 478 680

Stanthorpe **Community Bank**[®] Branch

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Chairman's Report

For the year ending 30 June 2018

It is my pleasure to present this, our third Annual Report of your Company, Stanthorpe Regional Community Financial Services Limited.

This report covers the full financial year to the 30 June 2018. The year has presented many and varied challenges but we are now focused on our goal of providing a strong Community Retail Banking operation to the residents of the Region. Our financial figures attest to the fact that our business is growing and the annual operational loss has reduced substantially in this past year. You would all have heard of "Margins being squeezed". This effects all banking operations and Bendigo and the **Community Bank®** are no different. When we issued our prospectus the budgeted break even point was estimated to be after 41 months of trading. That point is 1 September 2019, and on current growth we hope to hit profit prior to that time.

I recently attended our National Conference in Bendigo and comparing notes with several other community banking operations throughout Australia we are in quite a healthy position. Profit does elude some community banks for a number of years, but once the concept of reinvesting 100% of the generated profits back into the Community becomes apparent to the majority of the community, growth escalates. My goal is to hit profit prior to the forecast date and the next goal after that is to have sufficient funds to pay a dividend. Those people who provided the capital for this business to start, need to be rewarded, not only with exceptional service, but also with a good healthy dividend. The more people and businesses who become customers the quicker we can achieve these goals.

Our branch staff are paramount to our success. I would like to take this opportunity to personally thank them all. Our full time staff, Katy McKenzie, our Branch Manager, and Paul Fenton, our 2IC, Customer Relationship Officer. Our Part Time Staff, Kirsten Spencer, Tania Cobon and Parry Clark, provide the face to face interaction with the public. No problem seems to phase them and they are continually providing solutions for customers. Thank you also to the Regional Managers, Anthony Schwarz, Malcolm Frizzell and their support staff who are continually assisting with the smooth operation of the business. The ownership of our Texas Agency changed this year and I would like to welcome Jack and Susan Spencer of Texas Rural Agencies to our group.

The staff, over the past 12 months, have been under pressure with the closure of another major banking business in the town. Residents of this region are realising that the major banks have been driven by profit alone. I believe that the face to face banking concept will continue to provide benefits, and this is our point of difference. Electronic banking is going to provide a major influence on the banking industry, and this combined with the recommendations to come from the Banking Royal Commission will certainly shape our industry into the future. In this last 12 months our nett customer numbers have grown by in excess of four new customers per week. If this steady growth continues then the results I have spoken about previously will be achieved.

As a requirement of our Constitution one third of our Board Members are to retire each year. Those members can seek re-election. This year Luke Hilton and Barbara Bowyer are retiring and are not seeking re-election, and I would like to thank them for their contributions to the business. They were both founding Directors. The remaining Directors, Nev Winter (Deputy Chairman), Aaron Wise, Leeanne Gangemi, Jean Hallas, Mary Rofe, Geoff Sargood and Catherine Orford (Secretary) have all made valuable contributions to the smooth operation of the business, and I thank them.

Chairman's Report (continued)

We have continued to provide donations, grants and sponsorships over the past twelve months. Since commencing our business we have contributed in many and varied ways approximately \$50,000 back into our community. A couple of examples of this are, monetary contribution towards RSA training for year 12 students about to enter the workforce, Scholarships for a grade 10 student entering year 11, payment for the copyright fee for a play for the Stanthorpe Little Theatre, contribution towards the construction of the ramp at the Stanthorpe Boat Club, purchase of a marquee for Snowflakes. Our annual distribution of funds is now to be held on our birthday in February annually.

With the direction our business is heading, the support of our Staff, our Directors and our Community, I believe that the long term success of our business is assured.



Don Gaske
Chairman

OUR VISION

To be the most approachable, visible and customer connected bank in the stanthorpe region

OUR MISSION STATEMENT

To provide continued personalised, professional service by building on the existing client base, increasing the profitability of the Stanthorpe **Community Bank**® branch for the benefit of the customers, shareholders and community projects.

OBJECTIVES

To have a community working together to achieve common objectives;

To build a team within the community to coordinate major initiatives and projects;

To be broadly representative and link to appropriate formal and informal community groups to assist and support initiatives;

To provide strong leadership by the community, in the community and for the community.

Manager's Report

For the year ending 30 June 2018

It is with great pleasure that I present to you the Manager's Report for the 2017/18 year.

It has been a year that has presented many opportunities and challenges in what is a very competitive market, and we should all be proud of the achievements made throughout the year.

Bendigo bank. What can I say. 3rd trusted brand in Australia behind Aldi and NRMA. I don't know about anyone else but that makes me so proud. Our values, ethics and community commitment is making an impact on our town. Every month people are turning to us as their preferred financial institution. Our branch is growing.

We have continued to create stronger, deeper relationships with our customers by having relevant and meaningful discussions about how we can help our customers achieve their financial goals and aspirations.

A comparison snapshot of our business as at 30 June 2018:

	2016	2018
Customer Numbers	922	1540
Products per customer	1.896	2.016
Total business	\$40.9 mil	\$60.2 Mil

I would also like to take this opportunity to thank the efforts of all our staff, Tania Cobon, Kirstin Spencer, Parry Clark and Paul Fenton without their ongoing hard work, dedication and support, the branch would not have been able to achieve the successes of this year.

I would also like to thank you, the shareholders, who have shown their support and commitment to the Stanthorpe **Community Bank®** Branch. We are looking forward to helping you with your individual financial needs so we can grow our business and achieve our goals of giving back to the community.

In addition, I would like to make special mention and thanks to our Board of Directors – who spend countless hours being advocates of our Community Bank Branch.

Without their unwavering support and effort, we would not have been able to achieve the successes and results that we have since we commenced on the 29th Feb 2016.

The last 12 months events

Apple and Grape young ambassador entrant Lateesha Stabile- raising over \$10000 for our great event.

Our show – Supplying water and ponchos to the crowd

Snowflakes – Committee members and running the ice skating over 4 days

These are just a few events our team support

Manager's Report (continued)

The year ahead

The year ahead will certainly present many opportunities for us to continue to build and grow our business in the local Stanthorpe community, and promote the great work that we do in helping our community become an even better place to live, work and play.

My goal is to lead and develop my team to help us grow the business, create stronger connections with our customers and local community by having meaningful and relevant discussions as to how we can help our customers achieve their financial goals and aspirations.

By helping our customers grow, we in turn also grow, which enables us to further help our local Stanthorpe community grow and thrive.

I am committed to working closely with you all over the next year and beyond to help achieve these outcomes, and I look forward to the challenges and successes that are ahead of us.

Once again, my appreciation and thanks to you all for your continued dedication and support of the team over the past 2 years.



Katy McKenzie
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2018

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

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

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

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

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

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

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

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

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

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

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

Stanthorpe Regional Community Financial Services Limited

Directors' Report

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

Directors

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

Donald Charles Gaske

Chairman

Occupation: Company Director

Qualifications, experience and expertise: Don has spent 49 years in the banking, finance, insurance and financial planning industries. 21 years with a major Australian bank, roles included Branch Accountant and Branch Manager. Associate of the Financial Planning Association of Australia 1999-2013, Financial Planning PS 146, 2005. Previously owner/operator of the Bendigo Bank Agency in Stanthorpe, commenced 1992. Has spent 28 years as a prime lamb producer, 16 years as a lavender grower and retailer. Rotarian since 1985. He is a Commissioner for Declarations.

Special responsibilities: Chairman of the Board, Human Resources, Property & Building, Business & Strategic Planning, Marketing and Finance Committees.

Interest in shares: 53,501

Neville Eric Winter

Vice Chairman

Occupation: Retired

Qualifications, experience and expertise: Neville is a retired engineer and teacher. Experienced in Trade Metal Fabrication, Manual Arts/Maths teaching, TAFE teaching Metal Fab/Engineering, road safety consultant Queensland Transport. Previous manager at Q GAP (Stanthorpe), past president and board member of Stanthorpe Rotary and Stanthorpe Probus club. Neville was owner and manager of Stanthorpe Therapeutic Centre 2002-2007. He is a rural Fire Fighter and Driver of Queensland Rural Fire Services (Eukey Brigade). Now retired while investing in Australian shares and hold trade certificates in Man.Prac and Dip T (TAFE).

Special responsibilities: Human Resources Committee.

Interest in shares: 5,001

Luke Joseph Hilton

Director

Occupation: Self employed Accountant and Tax agent

Qualifications, experience and expertise: Is a self employed accountant and tax agent with over 20 years experience in public practice. Has commercial accounting background prior to entering public practice. Held treasurer's role for numerous community organisations over the past 20 years.

Special responsibilities: Finance Committee.

Interest in shares: 1,001

Leeanne Josephine Gangemi

Director

Occupation: Client Relations Manager

Qualifications, experience and expertise: Leeanne is the Client Relations Manager in her family business, Ballandean Estate Wines and has held many positions on both National and State industry bodies including her current position as the Queensland Representative of the Winemakers Federation of Australia. Leeanne was on the Steering Committee for the formation of the Stanthorpe Community Bank and continues to help drive the growth of the organisation for the benefit of the community.

Special responsibilities: Marketing Committee & South West Cluster Committee.

Interest in shares: 3,001

Stanthorpe Regional Community Financial Services Limited

Directors' Report (continued)

Directors *(continued)*

Jean Heather Hallas

Director

Occupation: RSL Club Manager

Qualifications, experience and expertise: Jean has 27 years business experience, including 24 years in the hospitality industry. She is currently the Community Club Secretary Manager for the last 18 years and at the Stanthorpe RSL for the last 8 years.

She was a Ball Director for Stanthorpe Apple & Grape Festival for 2012 and 2014.

Special responsibilities: Sponsorship , Marketing & Human Resources Committees.

Interest in shares: 1,001

Barbara Jean McLean

Director

Occupation: Retired

Qualifications, experience and expertise: Former University Lecturer in Education at Macquarie University. Has been a resident of Stanthorpe since 1998 and became involved in volunteer work and cultural groups such as Little Theatre and Granite Belt Choir and U3A.

Special responsibilities: Nil

Interest in shares: 35,001

Mary Philomena Rofe

Director

Occupation: Manager Kings Sawmilling

Qualifications, experience and expertise: Manager Kings Sawmilling. BA Journalism. Mary's community positions include Apple & Grape Young Ambassador Committee Secretary, St Joseph's Three Saints Committee, Stanthorpe Regional Art Gallery hanging Crew, Chief Steward Fine Arts Stanthorpe Show, Marketing Showgrounds Events, Stanthorpe & Districts Historical Society and Red Cross. Publications include history, freelance and commissioned articles. Formerly a Business manager at Woodfired Bakehouse Petrie and a Registered Nurse. Lead positions in the Arts and history organisations of Pine Rivers.

Special responsibilities: Marketing Committee.

Interest in shares: 1,101

Catherine Margaret Orford

Director *(Appointed 15 November 2017)*

Occupation: Education - Training

Qualifications, experience and expertise: MPhil (Tourism Mgt); Marts (Aust Studies); Bed: Academic Program Support Manager UDQ t/a QCWT.

Special responsibilities: Secretary

Interest in shares: Nil

Geoffrey William Donald Sargood

Director *(Appointed 15 November 2017)*

Occupation: Business Manager

Qualifications, experience and expertise: 22 years in Business Banking with Suncorp & ANZ servicing both rural and commercial customers throughout Queensland. Small business owner in farming and transport industries. 5 years as Business Manager of a large Health Retreat.

Special responsibilities: Nil

Interest in shares: Nil

Stanthorpe Regional Community Financial Services Limited

Directors' Report (continued)

Directors (*continued*)

Aaron Michael Wise

Director (*Appointed 15 November 2017*)

Occupation: Accountant

Qualifications, experience and expertise: Bachelor of Business & Bachelor of Commerce. Over 10 years working in public accounting practices servicing a range of clients across an array of industries. Manager of family beef cattle farming operation.

Special responsibilities: Finance Committee

Interest in shares: Nil

Alexander Kurschinsky

Director (*Resigned 15 November 2017*)

Occupation: Solicitor

Qualifications, experience and expertise: Alexander has Bachelor of Business and legal admission through the Barristers Admission Board of Queensland, Graduate Diploma in Legal Practice, Diploma in Applied Science, is a Member of the QLD Law Society and institute of Public Accountants. He has practised in law for 14 years, the last 7 years as Principal Solicitor of his own practice Kurschinsky Law. Experienced in funds management as a trustee company manager, former RAAF Aircrew officer in Permanent Air Force and RAAF Active Reserve. Reserve Force Decoration (RFD), principal solicitor at Care Goondiwindi and volunteer solicitor at Community Development services Stanthorpe.

Special responsibilities: Nil.

Interest in shares: 1

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

Denise Jean Harslett

Secretary (*Resigned 15 November 2017*)

Occupation: Retired farmer

Qualifications, experience and expertise: Denise has a Bachelor of Agricultural Science, has previously been a director of Harslett Enterprises Pty Ltd and a manager of the farm office and the seedling nursery for over 40 years. She is now semi retired and mainly works in an advisory capacity and fill in during the holiday periods for other staff. She has held executive positions on the committees of several community organisations in Stanthorpe and Amiens.

Special responsibilities: Company Secretary.

Interest in shares: 20,001

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

Company Secretary

The company secretary is Catherine Margaret Orford who was appointed to the position of secretary on 15 November 2017. Denise Harslett was secretary before Catherine.

Principal Activities

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

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

Operating results

Operations have continued to perform in line with expectations. The loss of the company for the financial year after provision for income tax was:

Year ended 30 June 2018	Year ended 30 June 2017
\$	\$
(36,282)	(72,675)

Stanthorpe Regional Community Financial Services Limited

Directors' Report (continued)

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.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended	
	<u>Eligible</u>	<u>Attended</u>
Donald Charles Gaske	10	10
Neville Eric Winter	10	9
Luke Joseph Hilton	10	8
Leeanne Josephine Gangemi	10	8
Jean Heather Halls	10	8
Barbara Jean McLean	10	9
Mary Philomena Rofo	10	8
Catherine Margaret Orford <i>(Appointed 15 November 2017)</i>	6	6
Geoffrey William Donald Sargood <i>(Appointed 15 November 2017)</i>	6	5
Aaron Michael Wise <i>(Appointed 15 November 2017)</i>	6	5
Alexander Kurchinsky <i>(Resigned 15 November 2017)</i>	4	-
Denise Jean Harslett <i>(Resigned 15 November 2017)</i>	4	2

Stanthorpe Regional Community Financial Services Limited

Directors' Report (continued)

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

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

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Signed in accordance with a resolution of the board of directors at Stanthorpe, Queensland on 21 September 2018.

A handwritten signature in black ink, appearing to read 'D. Gaske', is written over a horizontal line.

Donald Charles Gaske, Chairman

Auditor's independence declaration



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 Stanthorpe Regional Community Financial Services Ltd

As lead auditor for the audit of Stanthorpe Regional Community Financial Services Ltd 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.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 21 September 2018

A handwritten signature in black ink, appearing to read 'David Hutchings'.

David Hutchings
Lead Auditor

Stanthorpe Regional Community Financial Services Limited

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Revenue from ordinary activities	4	440,497	377,063
Employee benefits expense		(281,785)	(289,146)
Charitable donations, sponsorship, advertising and promotion		(28,612)	(19,721)
Occupancy and associated costs		(44,021)	(40,014)
Systems costs		(17,619)	(18,616)
Depreciation and amortisation expense	5	(38,354)	(40,717)
Finance costs	5	(4)	(4)
General administration expenses		(74,128)	(63,191)
Loss before income tax credit		(44,026)	(94,346)
Income tax credit	6	7,744	21,671
Loss after income tax credit		(36,282)	(72,675)
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		(36,282)	(72,675)
Earnings per share		¢	¢
Basic earnings per share	21	(4.80)	(13.06)

The accompanying notes form part of these financial statements.

Stanthorpe Regional Community Financial Services Limited

Financial Statements (continued)

Balance Sheet as at 30 June 2018

	Notes	2018 \$	2017 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	145,686	149,438
Trade and other receivables	8	33,761	32,281
Total current assets		179,447	181,719
Non-current assets			
Property, plant and equipment	9	192,923	209,277
Intangible assets	10	179,767	201,767
Deferred tax asset	11	45,696	37,953
Total non-current assets		418,386	448,997
Total assets		597,833	630,716
LIABILITIES			
Current liabilities			
Trade and other payables	12	15,439	17,400
Provisions	13	11,785	7,131
Total current liabilities		27,224	24,531
Non-Current Liabilities			
Provisions	13	706	-
Total Non-Current Liabilities		706	-
Total liabilities		27,930	24,531
Net assets		569,903	606,185
EQUITY			
Issued capital	14	723,076	723,076
Accumulated losses	15	(153,173)	(116,891)
Total equity		569,903	606,185

The accompanying notes form part of these financial statements.

Stanthorpe Regional Community Financial Services Limited

Financial Statements (continued)

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

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016	723,076	(44,216)	678,860
Total comprehensive income for the year	-	(72,675)	(72,675)
Transactions with owners in their capacity as owners:			
Shares issued during period		-	
Costs of issuing shares		-	
Dividends provided for or paid	-	-	-
Balance at 30 June 2017	723,076	(116,891)	606,185
Balance at 1 July 2017	723,076	(116,891)	606,185
Total comprehensive income for the year	-	(36,282)	(36,282)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2018	723,076	(153,173)	569,903

The accompanying notes form part of these financial statements.

Stanthorpe Regional Community Financial Services Limited

Financial Statements (continued)

Statement of Cash Flows for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		475,519	409,675
Payments to suppliers and employees		(481,750)	(455,312)
Interest received		2,483	3,082
Interest paid		(4)	(4)
Net cash used in operating activities	16	(3,752)	(42,559)
Cash flows from investing activities			
Payments for property, plant and equipment		-	(16,097)
Net cash used in investing activities		-	(16,097)
Net decrease in cash held		(3,752)	(58,656)
Cash and cash equivalents at the beginning of the financial year		149,438	208,094
Cash and cash equivalents at the end of the financial year	7(a)	145,686	149,438

The accompanying notes form part of these financial statements.

Stanthorpe Regional Community Financial Services Limited

Notes to the Financial Statements

For the year ended 30 June 2018

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

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

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

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

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

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

Stanthorpe Regional Community Financial Services Limited

Notes to the Financial Statements

For the year ended 30 June 2018

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

a) Basis of preparation (*continued*)

Application of new and amended accounting standards (continued)

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating lease of its branch. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to \$75,900, on an undiscounted basis (see Note 17).

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Stanthorpe, Queensland.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

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

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

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

- the design, layout and fit out of the **Community Bank®** branch
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

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

b) Revenue

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

Stanthorpe Regional Community Financial Services Limited

Notes to the Financial Statements

For the year ended 30 June 2018

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

b) Revenue (*continued*)

Revenue calculation

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Commission

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

Fee income

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

Discretionary financial contributions

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

The amount has been based on the volume of business attributed to 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.

Stanthorpe Regional Community Financial Services Limited

Notes to the Financial Statements

For the year ended 30 June 2018

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

b) Revenue (*continued*)

Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

If Bendigo and Adelaide Bank Limited makes a change to the margin or commission on core banking products and services, it must not reduce the margin and commission the company receives on core banking products and services Bendigo and Adelaide Bank Limited attributes to the company to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank Limited's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank Limited may make.

Bendigo and Adelaide Bank Limited must give the company 30 days notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank®** companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank®** model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

c) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is payable (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Stanthorpe Regional Community Financial Services Limited

Notes to the Financial Statements

For the year ended 30 June 2018

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

c) Income tax (*continued*)

Deferred tax (continued)

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

The following estimated useful life is used in the calculation of depreciation:

- leasehold improvements	5 - 15	years
- plant and equipment	2.5 - 40	years

Stanthorpe Regional Community Financial Services Limited

Notes to the Financial Statements

For the year ended 30 June 2018

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Impairment

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

Stanthorpe Regional Community Financial Services Limited

Notes to the Financial Statements

For the year ended 30 June 2018

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

l) Leases

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

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

m) Provisions

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

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

n) 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.

Stanthorpe Regional Community Financial Services Limited

Notes to the Financial Statements

For the year ended 30 June 2018

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.

Stanthorpe Regional Community Financial Services Limited

Notes to the Financial Statements

For the year ended 30 June 2018

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Goodwill

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

The calculations require the use of assumptions.

Impairment of assets

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

Stanthorpe Regional Community Financial Services Limited

Notes to the Financial Statements

For the year ended 30 June 2018

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

Impairment of assets (continued)

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

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

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

Note 4. Revenue from ordinary activities	2018	2017
	\$	\$
Operating activities:		
- gross margin	329,834	276,451
- services commissions	38,944	27,537
- fee income	28,913	29,714
- market development fund	37,500	39,583
Total revenue from operating activities	<u>435,191</u>	<u>373,285</u>
Non-operating activities:		
- interest received	2,483	3,082
- other revenue	2,823	696
Total revenue from non-operating activities	<u>5,306</u>	<u>3,778</u>
Total revenues from ordinary activities	<u><u>440,497</u></u>	<u><u>377,063</u></u>

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	5,002	7,413
- leasehold improvements	11,352	11,304
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
- establishment fee	20,000	20,000
	<u>38,354</u>	<u>40,717</u>
Finance costs:		
- interest paid	<u>4</u>	<u>4</u>
Bad debts	<u>147</u>	<u>89</u>

Stanthorpe Regional Community Financial Services Limited

Notes to the Financial Statements

For the year ended 30 June 2018

Note 6. Income tax credit	2018	2017
	\$	\$
The components of tax credit comprise:		
- Future income tax benefit attributable to losses	(2,832)	(37,182)
- Movement in deferred tax	(4,912)	15,511
	<u>(7,744)</u>	<u>(21,671)</u>

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

Operating loss	(44,026)	(94,346)
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	(12,107)	(25,945)
Add tax effect of:		
- non-deductible expenses	6,139	6,050
- timing difference expenses	4,912	(15,511)
- other deductible expenses	(1,776)	(1,776)
	<u>(2,832)</u>	<u>(37,182)</u>
Movement in deferred tax	(4,912)	15,511
	<u>(7,744)</u>	<u>(21,671)</u>

Note 7. Cash and cash equivalents

Cash at bank and on hand	30,831	17,023
Term deposits	114,855	132,415
	<u>145,686</u>	<u>149,438</u>

Note 7.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Cash at bank and on hand	30,831	17,023
Term deposits	114,855	132,415
	<u>145,686</u>	<u>149,438</u>

Stanthorpe Regional Community Financial Services Limited

Notes to the Financial Statements

For the year ended 30 June 2018

Note 8.	Trade and other receivables	2018	2017
		\$	\$
Trade receivables		25,762	20,180
Prepayments		7,999	12,101
		<u>33,761</u>	<u>32,281</u>

Note 9.	Property, plant and equipment		
Plant and equipment			
At cost		30,807	30,807
Less accumulated depreciation		(13,321)	(8,319)
		<u>17,486</u>	<u>22,488</u>
Leasehold improvements			
At cost		204,578	204,578
Less accumulated depreciation		(29,141)	(17,789)
		<u>175,437</u>	<u>186,789</u>
Total written down amount		<u>192,923</u>	<u>209,277</u>

Movements in carrying amounts:

Plant and equipment			
Carrying amount at beginning		22,488	27,672
Additions		-	2,229
Disposals		-	-
Less: depreciation expense		(5,002)	(7,413)
Carrying amount at end		<u>17,486</u>	<u>22,488</u>
Leasehold improvements			
Carrying amount at beginning		186,789	184,225
Additions		-	13,868
Disposals		-	-
Less: depreciation expense		(11,352)	(11,304)
Carrying amount at end		<u>175,437</u>	<u>186,789</u>
Total written down amount		<u>192,923</u>	<u>209,277</u>

Stanthorpe Regional Community Financial Services Limited

Notes to the Financial Statements

For the year ended 30 June 2018

Note 10. Intangible assets	2018	2017
	\$	\$
Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(4,667)	(2,666)
	<u>5,333</u>	<u>7,334</u>
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(46,667)	(26,667)
	<u>53,333</u>	<u>73,333</u>
Goodwill on purchase of agency		
At cost	<u>121,101</u>	<u>121,100</u>
Total written down amount	<u>179,767</u>	<u>201,767</u>

Note 11. Tax

Deferred tax assets		
- accruals	770	743
- employee provisions	3,435	1,961
- tax losses carried forward	54,598	51,766
	<u>58,803</u>	<u>54,470</u>
Deferred tax liability		
- property, plant and equipment	13,107	16,517
	<u>13,107</u>	<u>16,517</u>
Net deferred tax asset	<u>45,696</u>	<u>37,953</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>(7,743)</u>	<u>(21,672)</u>

Note 12. Trade and other payables

Other creditors and accruals	<u>15,439</u>	<u>17,400</u>
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Stanthorpe Regional Community Financial Services Limited

Notes to the Financial Statements

For the year ended 30 June 2018

Note 13. Provisions	2018	2017
	\$	\$
Current:		
Provision for annual leave	<u>11,785</u>	<u>7,131</u>
Non-Current:		
Provision for long service leave	<u>706</u>	<u>-</u>
Note 14. Issued capital		
755,360 ordinary shares fully paid (2017: 755,360)	755,360	755,360
Less: equity raising expenses	<u>(32,284)</u>	<u>(32,284)</u>
	<u>723,076</u>	<u>723,076</u>

Rights attached to shares

(a) *Voting rights*

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

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

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

(b) *Dividends*

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

(c) *Transfer*

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

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

Stanthorpe Regional Community Financial Services Limited

Notes to the Financial Statements

For the year ended 30 June 2018

Note 14. Issued capital (*continued*)

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 223. As at the date of this report, the company had 254 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.

Note 15. Accumulated losses

	2018	2017
	\$	\$
Balance at the beginning of the financial year	(116,891)	(44,216)
Net loss from ordinary activities after income tax	(36,282)	(72,675)
Balance at the end of the financial year	<u>(153,173)</u>	<u>(116,891)</u>

Stanthorpe Regional Community Financial Services Limited

Notes to the Financial Statements

For the year ended 30 June 2018

Note 16. Statement of cash flows	2018	2017
	\$	\$
Reconciliation of loss from ordinary activities after tax to net cash used in operating activities		
Loss from ordinary activities after income tax	(36,282)	(72,675)
Non cash items:		
- depreciation	16,354	18,717
- amortisation	22,000	22,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(1,480)	2,510
- (increase)/decrease in other assets	(7,744)	(21,672)
- increase/(decrease) in payables	(1,960)	5,004
- increase/(decrease) in provisions	5,360	3,557
Net cash flows used in operating activities	<u>(3,752)</u>	<u>(42,559)</u>

Note 17. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments:

- not later than 12 months	27,600	26,400
- between 12 months and 5 years	48,300	72,600
	<u>75,900</u>	<u>99,000</u>

The operating lease is a non-cancellable lease with a five-year term ending 1 March 2021, with two further 5 year options to extend available.

Note 18. Auditor's remuneration

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

- audit and review services	4,400	4,200
- non audit services	2,000	1,907
	<u>6,400</u>	<u>6,107</u>

Stanthorpe Regional Community Financial Services Limited

Notes to the Financial Statements

For the year ended 30 June 2018

Note 19. Director and related party disclosures

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

Donald Charles Gaske
Neville Eric Winter
Luke Joseph Hilton
Leeanne Josephine Gangemi
Jean Heather Hallas
Barbara Jean McLean
Mary Philomena Rofe
Catherine Margaret Orofrd (*Appointed 15 November 2017*)
Geoffrey William Donald Sargood (*Appointed 15 November 2017*)
Aaron Michael Wise (*Appointed 15 November 2017*)
Alexander Kurschinsky (*Resigned 15 November 2017*)
Denise Jean Harslett (*Resigned 15 November 2017*)

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

Directors Shareholdings	<u>2018</u>	<u>2017</u>
Donald Charles Gaske	53,501	53,501
Neville Eric Winter	5,001	5,001
Luke Joseph Hilton	1,001	1,001
Leeanne Josephine Gangemi	3,001	3,001
Jean Heather Hallas	1,001	1,001
Barbara Jean McLean	35,001	35,001
Mary Philomena Rofe	1,101	1,101
Catherine Margaret Orofrd (<i>Appointed 15 November 2017</i>)	-	-
Geoffrey William Donald Sargood (<i>Appointed 15 November 2017</i>)	-	-
Aaron Michael Wise (<i>Appointed 15 November 2017</i>)	-	-
Alexander Kurschinsky (<i>Resigned 15 November 2017</i>)	1	1
Denise Jean Harslett (<i>Resigned 15 November 2017</i>)	20,001	20,001

There was no movement in directors shareholdings during the year.

Note 20. 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.

Stanthorpe Regional Community Financial Services Limited

Notes to the Financial Statements

For the year ended 30 June 2018

Note 21. Earnings per share	2018	2017
	\$	\$
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(36,282)	(72,675)
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	755,360	556,400

Note 22. 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 23. 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 24. Segment reporting

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

Note 25. 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
139 High Street
Stanthorpe QLD 4380

Principal Place of Business
139 High Street
Stanthorpe QLD 4380

Stanthorpe Regional Community Financial Services Limited

Notes to the Financial Statements

For the year ended 30 June 2018

Note 26. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	30,831	16,203	114,855	132,415	-	-	-	-	-	820	1.71	2.43
Receivables	-	-	-	-	-	-	-	-	25.762	20.180	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2018	2017
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	1,457	1,486
Decrease in interest rate by 1%	(1,457)	(1,486)
Change in equity		
Increase in interest rate by 1%	1,457	1,486
Decrease in interest rate by 1%	(1,457)	(1,486)

Stanthorpe Regional Community Financial Services Limited

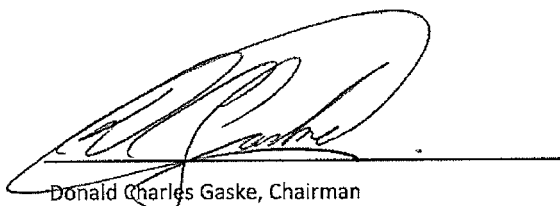
Directors' Declaration

In accordance with a resolution of the directors of Stanthorpe Regional 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.



Donald Charles Gaske, Chairman

Signed on the 21st of September 2018.

Independent audit report



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 Stanthorpe Regional Community Financial Services Ltd

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Stanthorpe Regional Community Financial Services Ltd 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

Stanthorpe Regional Community Financial Services Ltd's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

Independent audit report (continued)

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 21 September 2018



David Hutchings
Lead Auditor

Stanthorpe **Community Bank®** Branch
139 High Street, Stanthorpe QLD 4380
Phone: (07) 4681 3362 Fax: (07) 4681 1237

Franchisee: Stanthorpe Regional Community Financial Services Limited
139 High Street, Stanthorpe QLD 4380
Phone: (07) 4681 3362
ABN: 48 605 478 680

www.bendigobank.com.au/stanthorpe
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