

# 2018 Annual Report

**our commitment  
... to a stronger community**

Aberfeldie Community Club - EDFL - Pascoe Vale Sports Club - Strathmore Sports Club - Cam's Cause Inc - Jacana Football Club - St  
Therese's Parish Netball Club - Western Lightning Netball Club - Falkner/North Coburg Sports Assoc Inc - Tullamarine Sports Club  
- Essendon Community Club - Peninsula Sports Association - Sunshine Soccer Club - Essendon Bowls Club - RedR Australia  
- Walter & Lisa Institute - Peninsula Retirement Homes Trust - St Albans Football Club - Windale Heights Football Club - Hill-  
side Football Club - Strathmore Football Club - Coburg Lions Football Club (Coburg FCI) - Oak Park Tennis Club - West Meadows  
Football Club - Guide Dogs Victoria - Strathmore Primary School - Edith Bendall Lodge - St Francis De Sales School/Fete - Caro-  
line Chisholm Society - Rotary Club of Essendon - St Albans Football Club - Oak Park Football Club - Maribyr-  
nong Community Youth - Rotary Club of Strathmore - Craigieburn Football Club - SES Essendon Unit - Essendon Football Club -  
Strathmore Tennis Club - Melbourne Valley Racing Club - Aberfeldie Sports Club - St Bernards Old Collegians Football Club - Friends  
of Napier Park - West Melbourne Sports Club - St Vincent De Paul Primary School - Maribyrnong Park Football Club - Doutta  
Stars Cricket Club T20 - Taylors Lakes Recreation Club Inc - Strathmore North Primary School - Royal Children's Hospital  
Beds Sponsorship - Northern Victoria Sports Club - Northern Golf Club - Strathmore Bowls Club - Bonsai Northwest - Glenroy  
Club - Strathmore Lawnmowers - Western Arts Theatre - Northern Obedience Dog Club - Strathmore Cricket Club - Kewley  
Park Cricket Club - Strathmore Football Club - Strathmore Theatrical Arts Group - FC Strathmore Split (Soccer Club) - PE  
- St Albans Football Club - Bully Zero Foundation - Strathmore View Football Club - Strathmore Community Sports Club - Glenroy Special School



Strathmore **Community Bank**® Branch



Strathmore Community  
Services Limited

ABN 84 096 122 459

Strathmore **Community Bank**® Branch

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# Chairman's report

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For year ending 30 June 2018

It gives me pleasure to present this the seventeenth annual report for Strathmore Community Services Limited. The 2017/18 financial year was another successful year for the Strathmore **Community Bank**<sup>®</sup> Branch thanks to our shareholders, our customers and our dedicated staff both at our branch and our corporate office.

We began 2018 in a big way with the purchase of the branch building at 337 Napier Street, so congratulations to the shareholders for being property owners of prominent real estate in Napier Street.

The last year has seen a few changes in our team both at the branch and at our corporate office. We welcome two new staff members to the branch, Janette Zammit and Bill Dendes. Our Office Manager in our corporate office, Dianne Fincher, left us mid last year and we thank her for her efforts and wish her well. Lisa Garay was appointed as her replacement in July 2018 so we welcome Lisa to our team.

At the end of June, 2018, we have with the continued support of our shareholders and customers invested back into our community, approximately \$9.435 million. In the 2017/18 financial year, \$896,129 was invested back into the community which has been distributed among 321 organizations as grants, sponsorships and donations.

The **Community Bank**<sup>®</sup> branches of Bendigo and Adelaide Bank Limited, as a network, has now invested back into their local Communities in excess of \$200 million. Our branch has approximately 4.7 percent of this total. This is an exceptional amount and is a credit to all those involved with our bank.

Since joining us the results have exceeded the boards' expectations, with our current business now exceeding \$338 million, again an outstanding result.

All of this is due to the dedication of the original team in setting up the framework for the establishment of our **Community Bank**<sup>®</sup> branch. The continuing support of shareholders, customers and the committed staff have all contributed to us now being one of the best in the **Community Bank**<sup>®</sup> network.

The Board members have again spent a considerable amount of their time in ensuring that the business operates both efficiently and profitably. They have also attended many "community" functions where we continue to tell our remarkable story. I sincerely thank the Board for their efforts and total support.

I would also like to thank all of our staff for their efforts put in over the past year and for their ongoing commitment to see our **Community Bank**<sup>®</sup> branch succeed.

Finally, I thank you for your support as a shareholder and customer and look forward to providing you with further reports of the progress of our **Community Bank**<sup>®</sup> branch.



**Peter J Brown, JP**  
Chairman.

# Manager's report

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For year ending 30 June 2018

The financial year ending June 2018 saw another successful year at Strathmore **Community Bank**<sup>®</sup> Branch. The total business as at 30 June 2018 stood at \$338 million. This figure is made up of \$129 million in lending and \$208 million in deposits on our book. Banking has become very competitive with banks jostling to obtain market share. Lending rates continue to be low, how long that is for is a constant source of discussion whilst deposit rates also remain low.

The branch staff continue to be active in the community, attending community functions and donating their time and efforts for the wider area.

There has been a couple of changes at the branch. One of our longer-term staff members, Jake Smith left us in December 2017 and we wish him well. The branch welcomed a couple of new additions with Janette Zammit joining us in September 2017 and Bill Dendes joining in March 2018.

The banking world continues to become more regulated with the government tightening the laws on the banking industry to help slow growth and this is evident in loan numbers and the subsequent slowdown in the housing market. 2018 also saw the banking royal commission which has already led to some changes in banking and the products being offered. We would expect this regulation to continue for the foreseeable future and further measures introduced.

I have been with the Bank for over 18 months and I have found the commitment to the community to be refreshing. My previous employers do not come close to the generosity shown by Strathmore **Community Bank**<sup>®</sup> Branch and its Board.

I would like to thank our Board of Directors for their support, time and effort in helping make the Strathmore **Community Bank**<sup>®</sup> Branch one of the most successful **Community Bank**<sup>®</sup> branches in the country.

I would also like to thank our shareholders as it's your support that has made us what we are today.



**David Porter**  
**Branch Manager**

# Secretary's report

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For year ending 30 June 2018

A further successful year with a dividend to be paid to shareholders of 15 cents fully franked. Total dividends distributed now stand at \$778,000.

As recently noted in our Shareholder Newsletter the highlight of our year was the purchasing of the property occupied by the **Community Bank**<sup>®</sup> branch in Napier Street.

For the year 2017/18 we gave a total amount of \$896,129, this was marginally down on the preceding year. This was due to the utilization of funds to purchase the building at 337 Napier Street, Strathmore.

The total amount now given back to our community through the more than 200 organizations that we deal with is \$9.4 million.

When considering as at the 30 June 2018 the total given by the **Community Bank**<sup>®</sup> group was \$200 million this is indeed a proud result.

There are now 321 **Community Bank**<sup>®</sup> branches Australia wide with a further six currently in the system pending their opening.

The Company Secretary provides guidance to Directors on the following matters: ASX listing, ASIC compliance, Employment, Workplace Health and Safety Requirements, Superannuation and Insurance, Accounting Standards, Maintenance of share/options register and dividend payments.

A reminder to shareholders who receive their dividend by cheque to please ensure the cheque is promptly banked. This then saves considerable time in having to chase up unpresented cheques.

Also, please note the onus is on all shareholders to notify our corporate office via the Secretary of any changes in name address etc relating to shareholdings.

As always, a key to our success is having a friendly team at the branch who can assist with all financial matters.

According to a major research organization Bendigo Bank continues to be the most trustworthy bank in Australia as well as being Australia's fifth largest retail bank.

The newly appointed Managing Director of Bendigo and Adelaide Bank Limited is wanting to grow the awareness of the **Community Bank**<sup>®</sup> concept which is now 20 years old and to double the current customer base within the next few years.



**Peter D McKie**  
**Director / Company Secretary**

# Directors' report

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For the financial year ended 30 June 2018

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

## Directors

The following persons were Directors of Strathmore Community Services Limited during or since the end of the financial year up to the date of this report:

### **Peter McKie (Appointed 21 October 2003)**

Experience and expertise	Company Director with an excess of 40 years experience in management, marketing, sales and logistics. Former President of Victorian Customs Association and Senior Lecturer (part-time) in International Trade at TAFE.
Special responsibilities	Company Secretary

### **Glenn Clements (Appointed 11 March 2014)**

Experience and expertise	Manager with 30 years experience in sales, marketing, importing, promotions and Staff management.
Special responsibilities	Nil

### **Craig Jenkins (Appointed 15 July 2009)**

Experience and expertise	Company Director with extensive experience in manufacturing, management, credit management on all facets. Chairman of various Trade groups over the last 35 years.
Special responsibilities	Nil

### **Peter Brown, JP (Appointed 18 October 2005)**

Experience and expertise	Newsagent with experience in management and law. Former Vice President of the Australian Federal Police Association.
Special responsibilities	Chairperson

### **Kerri Osborne (Appointed 13 May 2009)**

Experience and expertise	Education Consultant with experience as a Primary School Teacher, followed by many years as an Education Consultant/Teacher and Store management.
Special responsibilities	Nil

### **Michael Garafillis (Appointed 13 May 2009)**

Experience and expertise	Sales & Marketing Manager with extensive sales and marketing experience.
Special responsibilities	Nil

### **Phillip Arnold Lusher (Appointed 11 March 2014)**

Experience and expertise	Government Accounting and extensive management experience, legal preparation and analytical research.
Special responsibilities	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.

# Directors' report (continued)

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## Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings		Audit Committee meetings	
	A	B	A	B
Peter McKie	14	14	2	2
Glenn Clements	14	13	2	2
Craig Jenkins	14	9	N/A	N/A
Peter Brown	14	14	2	2
Kerri Osborne	14	14	N/A	N/A
Michael Garafillis	14	12	N/A	N/A
Phillip Lusher	14	13	N/A	N/A

A - The number of meetings eligible to attend.

B - The number of meetings attended.

N/A - not a member of that committee.

## Company Secretary

Peter McKie has been the Company Secretary of Strathmore Community Services Limited since 17 November 2016.

Peter's qualifications and experience include owning and operating his own business and has held responsible positions for a number of community groups.

## Principal activities

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

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

## Review of operations

The profit of the company for the financial year after provision for income tax was \$26,226 (2017 profit: \$30,983), which is a reduction as compared with the previous year of \$4,757. Donations and Sponsorships for the year were \$896,129 (2017: \$905,117).

During the year the company acquired the freehold property at 337 Napier Street, Strathmore for a total cost of \$1,648,106. This property was previously leased from a non-related party.

## Dividends

Dividends paid or declared since the start of the financial year:

A fully franked final dividend of 10 cents per share was declared and paid during 2018 for the year ended 30 June 2017.

No dividends were declared for the year ended 30 June 2018.

# Directors' report (continued)

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## **Options**

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

## **Significant changes in the state of affairs**

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

## **Events subsequent to the end of the reporting period**

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

## **Likely developments**

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

## **Environmental regulations**

The company is not subject to any significant environmental regulation.

## **Indemnifying Officers or Auditor**

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.


## **Proceedings on behalf of company**

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

## **Auditor independence declaration**

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set at page 8 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Strathmore on 11th September, 2018



**Peter Brown**  
**Director**



# Auditor's independence declaration

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McBAIN  
McCARTIN & Co

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CHARTERED ACCOUNTANTS  
AUDIT & ASSURANCE SERVICES

PO BOX 82 BALWYN  
VICTORIA, AUSTRALIA 3103  
ABN 26 028 714 960

## AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF STRATHMORE COMMUNITY SERVICES LIMITED

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

- i) the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii) any applicable code of professional conduct in relation to the audit.

*McBain McCartin & Co.*

**McBain McCartin & Co**  
**Chartered Accountants**

**Simon Aukstin (CA)**  
**Partner**

123 Whitehorse Road,  
BALWYN VIC 3103

Dated this 10<sup>th</sup> September 2018

# Financial statements

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

	Notes	2018 \$	2017 \$
Revenue	2	2,228,236	2,179,811
<b>Expenses</b>			
Employee benefits expense	3	(823,720)	(719,947)
Depreciation and amortisation	3	(60,382)	(49,021)
Finance costs	3	(39,798)	(2,965)
Bad and doubtful debts expense	3	(1,875)	(269)
Occupancy expenses		(68,536)	(101,901)
IT costs		(72,453)	(74,109)
Marketing expenses		(55,390)	(102,907)
Other expenses		(188,876)	(190,347)
<b>Operating profit before charitable donations and sponsorships</b>		<b>917,206</b>	<b>938,345</b>
Charitable donations and sponsorships		(896,129)	(905,117)
<b>Profit before income tax</b>		<b>21,077</b>	<b>33,228</b>
Income tax expense/(Income)	4	(5,149)	2,245
<b>Profit for the year</b>		<b>26,226</b>	<b>30,983</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>26,226</b>	<b>30,983</b>
Profit attributable to members of the company		26,226	30,983
<b>Total comprehensive income attributable to members of the company</b>		<b>26,226</b>	<b>30,983</b>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):</b>			
- basic earnings per share		5.35	6.32

The accompanying notes form part of these financial statements.

## Financial statements (continued)

### Statement of Financial Position as at 30 June 2018

	Notes	2018 \$	2017 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	623,888	60,547
Trade and other receivables	6	210,825	232,603
Financial assets	7	110,595	1,108,827
Other assets	8	20,474	3,804
<b>Total current assets</b>		<b>965,782</b>	<b>1,405,781</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	1,846,577	243,958
Intangible assets	10	30,125	41,422
Deferred tax assets	4	7,889	2,740
<b>Total non-current assets</b>		<b>1,884,591</b>	<b>288,120</b>
<b>Total assets</b>		<b>2,850,373</b>	<b>1,693,901</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	189,779	145,789
Borrowings	12	10,372	9,912
Provisions	13	45,592	40,086
<b>Total current liabilities</b>		<b>245,743</b>	<b>195,787</b>
<b>Non-current liabilities</b>			
Borrowings	12	1,151,249	16,644
Provisions	13	15,036	20,349
<b>Total non-current liabilities</b>		<b>1,166,285</b>	<b>36,993</b>
<b>Total liabilities</b>		<b>1,412,028</b>	<b>232,780</b>
<b>Net assets</b>		<b>1,438,346</b>	<b>1,461,121</b>
<b>Equity</b>			
Issued capital	14	490,010	490,010
Retained earnings	15	948,336	971,111
<b>Total equity</b>		<b>1,438,346</b>	<b>1,461,121</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

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

	Note	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2016		490,010	1,028,057	1,518,067
Prior Year Interest Adjustment		-	10,073	10,073
Profit for the year		-	30,983	30,983
<b>Transactions with owners, in their capacity as owners</b>				
Dividends paid or provided	24	-	(98,002)	(98,002)
<b>Balance at 30 June 2017</b>		<b>490,010</b>	<b>971,111</b>	<b>1,461,121</b>
Balance at 1 July 2017		490,010	971,111	1,461,121
Profit for the year		-	26,226	26,226
<b>Transactions with owners, in their capacity as owners</b>				
Dividends paid or provided	24	-	(49,001)	(49,001)
<b>Balance at 30 June 2018</b>		<b>490,010</b>	<b>948,336</b>	<b>1,438,346</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

### Statement of Cash Flows for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		2,218,087	2,122,610
Payments to suppliers and employees		(2,085,072)	(1,686,868)
Interest paid		(34,187)	(2,965)
Interest received		31,921	17,398
<b>Net cash used in operating activities</b>	<b>16b</b>	<b>130,749</b>	<b>450,175</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(3,598)	(17,657)
Purchase of Freehold Land & Buildinbgs		(1,648,106)	
Purchase of intangible assets		-	(56,484)
<b>Net cash flows used in investing activities</b>		<b>(1,651,704)</b>	<b>(74,141)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,190,000	-
Repayment of borrowings		(54,935)	(9,472)
Dividends paid		(49,001)	(98,002)
<b>Net cash used in financing activities</b>		<b>1,086,064</b>	<b>(107,474)</b>
<b>Net increase (decrease) in cash held</b>		<b>(434,891)</b>	<b>268,560</b>
Cash and cash equivalents at beginning of financial year		1,169,374	900,814
<b>Cash and cash equivalents at end of financial year</b>	<b>16a</b>	<b>734,483</b>	<b>1,169,374</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2018

These financial statements and notes represent those of Strathmore Community Services Limited.

Strathmore Community Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 11 September 2018.

## Note 1. Summary of significant accounting policies

### (a) Basis of preparation

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

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar unless otherwise stated.

#### Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**<sup>®</sup> branch at Strathmore, VIC.

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

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**<sup>®</sup> 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 in relation to:

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank**<sup>®</sup> branch;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

# Notes to the financial statements (continued)

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

### **(b) Income tax**

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

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

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

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

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

### **(c) Fair value of assets and liabilities**

The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

### **(d) Property, plant and equipment**

Property, plant and equipment is measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of property, plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present. (refer to Note 1(f) for details of impairment).

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

# Notes to the financial statements (continued)

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

### (d) Property, plant and equipment (continued)

#### Depreciation

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

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

<b>Class of asset</b>	<b>Rate</b>	<b>Method</b>
Buildings	2.50%	SL
Leasehold improvements	6.70%	SL
Plant and equipment	13-17%	SL
Motor vehicles	25.00%	DV

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

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

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

### (e) 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 recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

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

### (f) Impairment of assets

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



# Notes to the financial statements (continued)

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

### **(g) Goods and services tax (GST)**

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

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

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

### **(h) Employee benefits**

#### Short-term employee benefits

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

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

#### Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future cash outflows to be made by the entity in respect of services provided by employees up to the reporting date. Interest Rates attaching, as at the reporting date, to Commonwealth Government Guaranteed Securities are used to discount the estimated future cash flows to their present value. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

### **(i) Intangible assets**

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

### **(j) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

# Notes to the financial statements (continued)

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

### **(k) Revenue and other income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any discounts. Revenue comprises service commissions and other income received by the company.

Interest revenue is recognised on a time proportional basis that taken into account the effective yield on the financial asset.

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

### **(l) Investments and other financial assets**

#### (i) Classification

The company classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held to maturity investments, and
- available for sale assets.

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

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term with the intention of making a profit. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The company has not designated any financial assets at fair value through profit or loss.

#### Loans and receivables

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

#### Held to maturity investments

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

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

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

# Notes to the financial statements (continued)

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

### **(I) Investments and other financial assets (continued)**

#### (i) Classification (continued)

##### Available for sale financial asset

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

#### (ii) Measurement

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses.
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

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

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

#### (iii) Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

# Notes to the financial statements (continued)

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

### **(l) Investments and other financial assets (continued)**

#### (iii) Impairment (continued)

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if the Directors establish that the carrying amount cannot be recovered by any means, at that point the anticipated loss is charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss event that has occurred is duly considered.

#### (iv) Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

### **(m) Trade and other receivables**

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

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

### **(n) Trade and other payables**

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

### **(o) Borrowings**

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

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

# Notes to the financial statements (continued)

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

### **(p) Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

### **(q) Contributed equity**

Ordinary shares are classified as equity.

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

### **(r) Dividends**

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

### **(s) New and amended accounting policies adopted by the company**

There are no new and amended accounting policies that have been adopted by the company this financial year, apart from the following:

### **(t) Comparative figures**

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

### **(u) Earnings per share**

#### Basic earnings per share

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

### **(v) New accounting standards for application in future periods**

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

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

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

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

# Notes to the financial statements (continued)

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

### (v) New accounting standards for application in future periods (continued)

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

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

- a) Financial assets that are debt instruments will be classified based on:
- (i) the objective of the entity's business model for managing the financial assets; and
  - (ii) the characteristics of the contractual cash flows.
- b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.
- d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
  - the remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

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

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

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

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

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

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

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

# Notes to the financial statements (continued)

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

### (v) New accounting standards for application in future periods (continued)

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

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

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

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

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

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

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.”

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

# Notes to the financial statements (continued)

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

### **(w) Critical accounting estimates and judgements**

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

#### Estimation of useful lives of assets

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

#### Employee benefits provision

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

#### Income tax

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

#### Impairment

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

#### Contingent asset

The Directors have sought legal advice in pursuing rent for a telecommunications tower attached to the premises recently acquired by the company at 337 Napier Street.

The success of this pursuit is contingent upon further discussions with various third parties and obtaining legal advice as required. At the time of preparing the report it is the Directors view that it is not practicable to quantify the possible future financial outcome if successful.

#### Cost of building

During the year the land and buildings at 337 Napier Street was acquired by the company. In order to determine the depreciable value for accounting purposes of the building, the Directors have considered insurance details and other market available information.



## Notes to the financial statements (continued)

	2018 \$	2017 \$
<b>Note 2. Revenue</b>		
Revenue		
- services commissions	2,217,280	2,150,401
	<b>2,217,280</b>	<b>2,150,401</b>
Other revenue		
- interest received	10,956	29,410
	<b>10,956</b>	<b>29,410</b>
<b>Total revenue</b>	<b>2,228,236</b>	<b>2,179,811</b>

## Note 3. Expenses

Profit before income tax includes the following specific expenses:

Employee benefits expense		
- wages and salaries	761,186	657,775
- superannuation costs	62,534	62,172
	<b>823,720</b>	<b>719,947</b>
Depreciation and amortisation		
Depreciation		
- buildings	14,521	-
- plant and equipment	14,326	13,721
- leasehold improvements	20,238	20,238
	<b>49,085</b>	<b>33,959</b>
Amortisation		
- franchise fees	11,297	15,062
	<b>11,297</b>	<b>15,062</b>
<b>Total depreciation and amortisation</b>	<b>60,382</b>	<b>49,021</b>
Finance costs		
- Interest paid	39,798	2,965
Bad and doubtful debts expenses	1,875	269
Share registry services	4,075	4,078
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	7,000	8,166

## Notes to the financial statements (continued)

	2018 \$	2017 \$
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### Note 4. Income tax

#### a. Prima facie tax payable

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

Prima facie tax on profit before income tax at 27.5% (2017: 27.5%)	5,796	9,138
Add/(subtract) tax effect of:		
- Non-deductible items	6,276	21
- Other	(17,221)	(7,241)
- Change in company tax rate	-	327
<b>Income tax attributable to the entity</b>	<b>(5,149)</b>	<b>2,245</b>
The applicable weighted average effective tax rate is	-24%	7%

#### b. Deferred tax asset

Deferred tax relates to the following:

Deferred tax assets balance comprises:

Unused tax losses	7,889	2,740
	<b>7,889</b>	<b>2,740</b>
<b>Net deferred tax asset</b>	<b>7,889</b>	<b>2,740</b>

#### c. Deferred tax asset movement

Opening balance	2,740	4,985
(Charge)/Credit to income	5,149	(2,245)
<b>Closing balance</b>	<b>7,889</b>	<b>2,740</b>

Deferred tax assets are not recognised until it is probable there will be future taxable profits as disclosed in note 1(b).

### Note 5. Cash and cash equivalents

Cash at bank and on hand	623,888	60,547
	<b>623,888</b>	<b>60,547</b>

### Note 6. Trade and other receivables

#### Current

Trade receivables	210,552	232,324
Other receivables	273	279
	<b>210,825</b>	<b>232,603</b>

## Notes to the financial statements (continued)

### Note 6. Trade and other receivables (continued)

#### Credit risk

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

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

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

	Gross amount \$	Past due and impaired \$	Past due but not impaired			Not past due \$
			< 30 days \$	31-60 days \$	> 60 days \$	
<b>2018</b>						
Trade receivables	210,552	210,552	-	-	-	-
Other receivables	273	273	-	-	-	-
<b>Total</b>	<b>210,825</b>	<b>210,825</b>	-	-	-	-
<b>2017</b>						
Trade receivables	232,324	232,324	-	-	-	-
Other receivables	279	279	-	-	-	-
<b>Total</b>	<b>232,603</b>	<b>232,603</b>	-	-	-	-

<b>2018</b>	<b>2017</b>
<b>\$</b>	<b>\$</b>

### Note 7. Financial assets

Held to maturity financial assets

Term deposits	110,595	1,108,827
	<b>110,595</b>	<b>1,108,827</b>

The effective interest rate on short-term bank deposits was 1.50% (2017: 2.30%); these deposits have an average maturity of 210 days.

### Note 8. Other assets

Prepayments	18,524	1,854
Security bond	1,950	1,950
	<b>20,474</b>	<b>3,804</b>

## Notes to the financial statements (continued)

	2018 \$	2017 \$
<b>Note 9. Plant and equipment</b>		
<b>Freehold land &amp; buildings</b>		
At cost - land	648,106	-
At cost - buildings	1,000,000	-
Less accumulated depreciation	(14,521)	-
	<b>1,633,585</b>	-
<b>Leasehold improvements</b>		
At cost	462,996	462,996
Less accumulated depreciation	(280,295)	(260,057)
	<b>182,701</b>	<b>202,939</b>
<b>Motor vehicle</b>		
At cost	36,550	36,550
Less accumulated depreciation	(17,976)	(11,785)
	<b>18,574</b>	<b>24,765</b>
<b>Plant and equipment</b>		
At cost	88,157	84,559
Less accumulated depreciation	(76,440)	(68,305)
	<b>11,717</b>	<b>16,254</b>
<b>Total plant and equipment</b>	<b>1,846,577</b>	<b>243,958</b>
<b>Movements in carrying amounts</b>		
<b>Freehold land and buildings</b>		
Balance at the beginning of the reporting period	-	-
Additions	1,648,106	-
Depreciation expense	(14,521)	-
<b>Balance at the end of the reporting period</b>	<b>1,633,585</b>	-
<b>Leasehold improvements</b>		
Balance at the beginning of the reporting period	202,939	223,177
Depreciation expense	(20,238)	(20,238)
<b>Balance at the end of the reporting period</b>	<b>182,701</b>	<b>202,939</b>
<b>Motor vehicle</b>		
Balance at the beginning of the reporting period	24,765	33,020
Depreciation expense	(6,191)	(8,255)
<b>Balance at the end of the reporting period</b>	<b>18,574</b>	<b>24,765</b>

## Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 9. Plant and equipment (continued)		
<b>Plant and equipment</b>		
Balance at the beginning of the reporting period	16,254	4,063
Additions	3,598	17,657
Depreciation expense	(8,135)	(5,466)
<b>Balance at the end of the reporting period</b>	<b>11,717</b>	<b>16,254</b>
<b>Total plant and equipment</b>		
Balance at the beginning of the reporting period	243,958	260,260
Additions	1,651,704	17,657
Depreciation expense	(49,085)	(33,959)
<b>Balance at the end of the reporting period</b>	<b>1,846,577</b>	<b>243,958</b>

## Note 10. Intangible assets

<b>Franchise fee</b>		
At cost	56,484	56,484
Less accumulated amortisation	(26,359)	(15,062)
	<b>30,125</b>	<b>41,422</b>
<b>Movements in carrying amounts</b>		
<b>Franchise fee</b>		
Balance at the beginning of the reporting period	41,422	-
Additions	-	56,484
Amortisation expense	(11,297)	(15,062)
<b>Balance at the end of the reporting period</b>	<b>30,125</b>	<b>41,422</b>

## Note 11. Trade and other payables

<b>Current</b>		
Unsecured liabilities:		
Trade creditors	19,364	24,498
Other creditors and accruals	170,415	121,291
	<b>189,779</b>	<b>145,789</b>

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

## Notes to the financial statements (continued)

	2018 \$	2017 \$
<b>Note 12. Borrowings</b>		
<b>Current</b>		
Secured liabilities		
Finance leases	10,372	9,912
	<b>10,372</b>	<b>9,912</b>
<b>Non-current</b>		
Secured liabilities		
Finance leases	6,272	16,644
Bank loan	1,144,977	
	<b>1,151,249</b>	<b>16,644</b>

### (a) Lease liabilities

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

### (b) Bank loan

The bank loan is secured by a first registered mortgage over the freehold land and buildings owned by the company. The loan commenced on 1 December 2017 for \$1,190,000 with the term of the loan being 10 years and at a variable interest rate with monthly repayment of Principal and interest required to be made.

	2018 \$	2017 \$
<b>Note 13. Provisions</b>		
<b>Current</b>		
Employee benefits	45,592	40,086
Non-current		
Employee benefits	15,036	20,349
<b>Total provisions</b>	<b>60,628</b>	<b>60,435</b>

## Note 14. Share capital

490,010 Ordinary shares fully paid	490,010	490,010
	<b>490,010</b>	<b>490,010</b>
<b>(a) Movements in share capital</b>		
Fully paid ordinary shares:		
At the beginning of the reporting period	490,010	490,010
<b>At the end of the reporting period</b>	<b>490,010</b>	<b>490,010</b>

# Notes to the financial statements (continued)

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## Note 14. Share capital (continued)

### (a) Movements in share capital (continued)

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

### (b) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

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

(i) the Distribution Limit is the greater of:

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

(b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

	2018 \$	2017 \$
<b>Note 15. Retained earnings</b>		
Balance at the beginning of the reporting period	971,111	1,028,057
Profit after income tax	26,226	30,983
Dividends paid	(49,001)	(98,002)
Prior Year Interest Adjustment	-	10,073
<b>Balance at the end of the reporting period</b>	<b>948,336</b>	<b>971,111</b>

## Notes to the financial statements (continued)

	2018 \$	2017 \$
<b>Note 16. Statement of cash flows</b>		
<b>(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:</b>		
Cash and cash equivalents (Note 5)	623,888	60,547
Term deposits (Note 7)	110,595	1,108,827
<b>As per the Statement of Cash Flow</b>	<b>734,483</b>	<b>1,169,374</b>
<b>(b) Reconciliation of cash flow from operations with profit after income tax</b>		
Profit after income tax	26,226	30,983
Non-cash flows in profit		
- Depreciation	49,085	33,959
- Amortisation	11,297	15,062
- Interest Prior Year Adjustment	-	10,073
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	21,778	(49,876)
- (Increase) / decrease in prepayments and other assets	(16,670)	314,101
- (Increase) / decrease in deferred tax asset	(5,149)	2,245
- Increase / (decrease) in trade and other payables	43,990	89,619
- Increase / (decrease) in provisions	193	4,009
<b>Net cash flows used in operating activities</b>	<b>130,749</b>	<b>450,175</b>

## Note 17. Earnings per share

Basic earnings per share (cents)	5.35	6.32
Earnings used in calculating basic earnings per share	26,226	30,983
Weighted average number of ordinary shares used in calculating basic earnings per share.	490,010	490,010

## Note 18. Key management personnel and related party disclosures

### (a) Key management personnel

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

No remuneration was paid to key management personnel of the company during the year.



# Notes to the financial statements (continued)

## Note 18. Key management personnel and related party disclosures (continued)

### (b) Other related parties

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

### (c) Transactions with key management personnel and related parties

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

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

Name of related party	Description of goods/services	Value \$
Peter Brown - Napier St Newsagency	Printing & Stationery & Consulting Fees	3,440
Glenn Clements - Sportsmoves	Promotional Goods	9,891

The Strathmore Community Services Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank**<sup>®</sup> 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 branch. There is no requirement to own Bendigo and Adelaide Bank Limited 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 Directors have estimated the total benefits received from the Directors Privilege Package to be nil for the year ended 30 June 2018.

### (d) Key management personnel shareholdings

The number of ordinary shares in Strathmore Community Services Limited held by each key management personnel of the company during the financial year is as follows:

	2018	2017
Peter McKie	9,500	7,000
Glenn Clements	3,000	3,000
Craig Jenkins	7,701	7,701
Peter Brown	2,000	2,000
Kerri Osborne	1,000	1,000
Michael Garafillis	2,000	2,000
Phillip Lusher	-	-

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid.

### (e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

## Notes to the financial statements (continued)

### Note 19. Events after the reporting period

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

### Note 20. Contingent liabilities and contingent assets

There were no contingent liabilities or assets at the date of this report to affect the financial statements, apart from the contingent asset as detailed at Note 1(w).

### Note 21. Operating segments

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

	2018	2017
	\$	\$

### Note 22. Commitments

#### Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.

Payable:

- no later than 12 months	28,333	-
- between 12 months and five years	77,801	-
<b>Minimum lease payments</b>	<b>106,134</b>	<b>-</b>

The Lloyd Street property lease was renewed on 27th September 2017, being a non-cancellable lease with a three year term expiring in 2020, with rent payable monthly in advance and with 4% increases each year. The starting annual rental is \$34,000 (including GST). The lease has an option to extend the lease for two further three year terms to 26 September 2026.

	2018	2017
	\$	\$

#### Finance lease commitments

Finance lease liabilities are payable exclusive of GST as follows:

Payable:

- no later than 12 months	10,915	10,915
- between 12 months and five years	6,367	17,282
<b>Minimum lease payments</b>	<b>17,282</b>	<b>28,197</b>
Less future interest charges	(638)	(1,642)
<b>Finance lease liability</b>	<b>16,644</b>	<b>26,555</b>

Finance leases comprise leases of motor vehicle under normal commercial finance lease terms and conditions repayable over 5 years.

# Notes to the financial statements (continued)

## Note 23. Company details

The registered office and principle place of business is:  
337 Napier Street, Strathmore VIC 3041

	2018 \$	2017 \$
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## Note 24. Dividends paid or provided for on ordinary shares

### Dividends paid or provided for during the year

Final fully franked ordinary dividend of 10 cents per share (2017:20.0) franked at the tax rate of 27.5% (2017: 27.5%).	49,001	98,002
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No dividends were declared for the year ended 30 June 2018 as yet.

## Note 25. Financial risk management

### Financial risk management policies

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

### Specific financial risk exposure and management

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

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

	Note	2018 \$	2017 \$
<b>Financial assets</b>			
Cash and cash equivalents	5	623,888	60,547
Trade and other receivables	6	210,825	232,603
Financial assets	7	110,595	1,108,827
<b>Total financial assets</b>		<b>945,308</b>	<b>1,401,977</b>
<b>Financial liabilities</b>			
Trade and other payables	11	189,779	145,789
Borrowings	12	1,161,621	26,556
<b>Total financial liabilities</b>		<b>1,351,400</b>	<b>172,345</b>

# Notes to the financial statements (continued)

## Note 25. Financial risk management (continued)

### (a) Credit risk

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

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

#### Credit risk exposures

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

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

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

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

### (b) Liquidity risk

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

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

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

Financial liability and financial asset maturity analysis:

	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>30 June 2018</b>					
<b>Financial assets</b>					
Cash and cash equivalents	0%	623,888	623,888	-	-
Trade and other receivables	0%	210,825	210,825	-	-
Financial assets	1.50%	110,595	110,595	-	-
<b>Total anticipated inflows</b>		<b>945,308</b>	<b>945,308</b>	-	-

## Notes to the financial statements (continued)

### Note 25. Financial risk management (continued)

#### (b) Liquidity risk (continued)

	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>30 June 2018</b>					
<b>Financial liabilities</b>					
Trade and other payables	0%	189,779	189,779	-	-
Borrowings	5.91%	1,161,621	168,412	796,567	196,642
<b>Total expected outflows</b>		<b>1,351,400</b>	<b>358,191</b>	<b>796,567</b>	<b>196,642</b>
<b>Net inflow / (outflow) on financial instruments</b>		<b>(406,092)</b>	<b>587,117</b>	<b>(796,567)</b>	<b>(196,642)</b>

	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>30 June 2017</b>					
<b>Financial assets</b>					
Cash and cash equivalents	0%	60,547	60,547	-	-
Trade and other receivables	0%	232,603	232,603	-	-
Financial assets	2.80%	1,108,827	1,108,827	-	-
<b>Total anticipated inflows</b>		<b>1,401,977</b>	<b>1,401,977</b>	-	-
<b>Financial liabilities</b>					
Trade and other payables	0%	145,789	145,789	-	-
Borrowings	4.55%	26,556	9,472	16,644	-
<b>Total expected outflows</b>		<b>172,345</b>	<b>155,261</b>	<b>16,644</b>	-
<b>Net inflow / (outflow) on financial instruments</b>		<b>1,229,632</b>	<b>1,246,716</b>	<b>(16,644)</b>	-

#### (c) Market risk

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

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

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

# Notes to the financial statements (continued)

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## Note 25. Financial risk management (continued)

### (c) Market risk (continued)

#### Sensitivity analysis

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

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

	<b>Profit \$</b>	<b>Equity \$</b>
<b>Year ended 30 June 2018</b>	<b>\$</b>	<b>\$</b>
+/- 1% in interest rates (interest income)	7,345	7,345
+/- 1% in interest rates (interest expense)	(11,616)	(11,616)
	<b>(4,271)</b>	<b>(4,271)</b>
<b>Year ended 30 June 2017</b>		
+/- 1% in interest rates (interest income)	11,694	11,694
+/- 1% in interest rates (interest expense)	(266)	(266)
	<b>11,428</b>	<b>11,428</b>

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

The company has no exposure to fluctuations in foreign currency.

### (d) Price risk

The company is not exposed to any material price risk.

### (e) Fair values

#### Fair values (estimation)

The Directors and management believe the financial assets and liabilities are a reasonable approximation of their fair values at 30 June 2018. There are no indications of impairment on any financial asset disclosed in the financial report.

# Directors' declaration

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In accordance with a resolution of the Directors of Strathmore Community Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 9 to 37 are in accordance with the *Corporations Act 2001* and:
  - (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
  - (ii) give a true and fair view of the company's financial position as at 30 June 2018 and of the performance for the year ended on that date;
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



**Peter Brown**  
**Director**

Signed at Strathmore on 11th September, 2018.

# Independent audit report

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McBAIN  
McCARTIN & Co

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CHARTERED ACCOUNTANTS  
AUDIT & ASSURANCE SERVICES

PO BOX 82 BALWYN  
VICTORIA, AUSTRALIA 3103  
ABN 26 028 714 960

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STRATHMORE COMMUNITY SERVICES LIMITED

ABN: 84 096 122 459

### Report on the Audit of the Financial Report Opinion

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

In our opinion:

the accompanying financial report of Strathmore Community 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 financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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

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

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Liability limited by a scheme approved under Professional Standards Legislation

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## Independent audit report (continued)

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### **Information Other than the Financial Report and Auditor's Report Thereon**

The directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibility of the Directors for the Financial Report**

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

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

### **Auditor's Responsibilities 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 it is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- a. identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

## Independent audit report (continued)

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### **Auditor's Responsibilities for the Audit of the Financial Report (Cont'd)**

- d. Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the registered entity to cease to continue as a going concern.
  
- e. Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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



**McBain McCartin & Co**  
**Chartered Accountants**



**Simon Aukstin**  
Partner  
Level 1, 123 Whitehorse Road  
BALWYN VIC 3103

Dated this 17<sup>th</sup> day of September 2018

Strathmore **Community Bank**<sup>®</sup> Branch  
337 Napier Street, Strathmore VIC 3041  
Phone: (03) 9374 2607 Fax: (03) 9374 3542

Franchisee: Strathmore Community Services Limited  
Level 1, 5A Lloyd Street, Strathmore VIC 3041  
Phone: (03) 9379 3042  
ABN: 84 096 122 459

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