

2018 Annual Report



Toodyay & Districts Community
Financial Services Limited

ABN 67 090 105 249

Toodyay & Districts **Community Bank**® Branch

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Chair's report

For year ending 30 June 2018

2017/18 has been a big year for Toodyay & Districts Community Financial Services Ltd (TDCFSL). We have welcomed three new Board members all of whom are based in Northam during the past year and this creates a greater voice for the Northam community.

It has been a very busy 12 months, but I am pleased to report we are heading into the new financial year with a very clear focus.

This year's results show a positive result and the Board is delighted to confirm that we will be paying a dividend for 2017/18 financial year.

The Toodyay & Districts **Community Bank**® Branch has contributed \$63,000 in support of scholarships, events, sporting clubs and other worthy causes in our community for the past financial year, taking the total to over \$1.2 million. I'm sure you will all agree that this is a great outcome and something upon which we are continually looking to improve.

We are extremely lucky as our funds for sponsorship have always been significant, previous Boards have always ensured that the \$100,000 donation to the Toodyay Swimming Pool has been in place since the commitment was made.

They are going to get boosted even further as the Board made the decision to sell the two properties owned by TDCFSL – the reason behind this is very simple, the properties have not been used for their intended purpose.

- Hamersley Street had previously operated as a kindergarten and was purchased on the understanding that it would be opened as a Montessori school, unfortunately this has never occurred.
- Stirling Terrace was purchased for the sole provision of providing accommodation for school teachers to attract and retain them, again this has never occurred.

The outlook for 2018/19 is again positive and should result in further improved results as the new Board members work closely with the Northam community. We are very positive that Northam will be an excellent investment in the medium to long term.

As a Board we would like to acknowledge the professionalism of our Branch Manager Kirsten and all her wonderful team who have worked so hard in delivering outstanding customer service to the community at large. I and my fellow Board members understand only too well that without the support of a fantastic team we would not be in the great position the Bank is.

Looking to the next 12 months we continue to acknowledge that:

- We need to work smarter not harder
- We will continue to work with integrity and courageous honesty in all activities we undertake
- We need our staff to continue to represent the company with the dedication and commitment our community deserves.

We continue to operate in an environment of constant change which is exciting, it gives us the opportunity to fine tune good habits and deliver better practices to all.

I feel with both the Board and staff focused and embracing this we will continue to build on the success of Toodyay and Northam and the surrounding communities we operate in.

Chair's report (continued)

Thank you for your ongoing support and commitment in recognising Toodyay & Districts Community Financial Services Limited.

- We value and appreciate your input and ask that you continue to advocate for the **Community Bank**® model.
- We estimate that some 40% of Toodyay residents still don't use our services.
- We encourage all our shareholders and customers to spread the many benefits of banking with us and the extra support we can then provide to our community.
- Our philanthropy can only ensue from profits.

Our motto continues to be "you support us, we support you".

We continue to be a **Community Bank**® company with a commitment to our community.



Andrea Carling
Chair

Manager's report

For year ending 30 June 2018

I am very pleased to say that the previous 12 months saw some strong results. Positive lending growth in a tough housing market and positive deposit growth at a time of historically low interest rates. All banks have been fairly aggressive with rates over the past 12 months so we really do need to promote our 'point of difference' in order to win and retain the business. We thank our customers for their continued support.

Toodyay & Districts **Community Bank**[®] Branch is always conscious of the fact that many of our customers rely on bank interest for their living needs and tries to balance that when official rates are low. It has been a delicate balancing act between growing the book balance, keeping customers happy and trying to make a profit.

The Customer Service Centre in Northam continues to provide outstanding customer service to our customers. We believe that our unique banking model of sharing 80% of our profits with our community will bring more people in to bank with us – the Bank that makes a difference in our communities. Northam will continue to be the major focus in the next 12 months with the Board and staff looking for new ways to engage with the Northam community.

We are still growing our business in Toodyay which shows that people do love what we do for the community. However, despite our community contributions we know that there is still a portion of the community that doesn't bank with us. We continue our focus on trying to get them to become our customers and contribute further to the growth and success of our community. Our customers our greatest advocates and ask that you continue to spread the word.

As a branch we again had a very successful year, winning 'Branch of the State' and 'Branch of the Region' numerous times, finishing in the top five branches in the state. This follows on from similar results for the past couple of years proving that we are certainly a branch focussed on achieving results from caring for our customers. A great team effort and something we are all proud off.

Community is why we do what we do. In order to keep assisting community groups with funding we need more people banking with us. You, as shareholders, have shown that you believe in the **Community Bank**[®] model and understand that we offer a vital service in regional areas. So, I would again like to take this opportunity to thank you for believing in us and what we do by banking with us.

Your support has enabled us to contribute to a lot of worthy organisations this year. Some of these are:

| | |
|---|---|
| Toodyay Youthcare | Toodyay Car & Motorcycle Show |
| Toodyay Football Club (seniors and juniors) | Toodyay Ballet School |
| Northam Volunteer Fire & Rescue Service | Northam Gun Club |
| Toodyay RSL | Mortlock Football League |
| Federals Football Club | Toodyay District High School |
| Toodyay Chamber of Commerce | Northam Senior High School |
| Toodyay International Food Festival | Avonvale Primary School |
| The Link Theatre Northam | West Northam Primary School |
| Northam Hockey Club | St Joseph's School |
| Toodyay Ag Society | Adopt-a-spot program |
| Toodyay Event Planning Inc | Morangup Playgroup |
| Toodyay Bowling Club | Youth Forum run by the Shire of Toodyay |
| Butterly Cottages | Bolgart Bowling Club |
| Bolgart Primary School | Toodyay Golf Club |
| Bachelor of Agricultural Business Tour Group – Muresk | T&DCFS Youth Scholarship |

Manager's report (continued)

These sponsorships enabled those groups to run community events and tournaments, purchase new equipment and uniforms, facilitate special education programs and present end of year awards to students in celebration of their achievements.

It is a very rewarding experience for staff knowing that we can support so many community groups on a regular basis.

Thanks to the Board for your unwavering support throughout the year. We appreciate that you are all volunteers and we are grateful for the all the hours you invest in the business.

I would also like to thank the staff for their hard work and commitment this year. You have once again shown engagement, passion and drive which is a major factor in our continued success. We are a great team which I am honoured to be a part of.



Branch Manager

Directors' report

For the financial year ended 30 June 2018

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

Directors

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

Andrea Elizabeth Carling

Chair

Occupation: Director

Qualifications, experience and expertise: Operations Director - Bespoke residential building company. Director - Providing project management and consultancy services to Construction / Mining / Engineering industries.

Special responsibilities: Company secretary

Interest in shares: Nil

Clifford John Clarke

Director

Occupation: Retired

Qualifications, experience and expertise: Qualified Carpenter & Joiner. 5 years Army. Self-employed builder & insurance inspector. Retail grocery - Wholesale grocery.

Special responsibilities: Finance & Audit Committee

Interest in shares: Nil

Philip Trevor Perkins

Director

Occupation: Self employed

Qualifications, experience and expertise: Studied accountancy and audit procedures before joining the National Finance Company. Became a State and Regional Manager involved in both commercial and residential lending and development.

Special responsibilities: Finance & Audit Committee

Interest in shares: Nil

Esther Bliss

Director (Appointed 12 February 2018)

Occupation: NCC CEO

Qualifications, experience and expertise: A member of the Northam Women in Business Committee. Member of St Josephs P&F Committee. Board of Northam Chamber of Commerce. Self employed Entrepreneur in various Hospitality venues. Holds a BA in Communication Studies. Involvement with volunteer organisations has been in the following areas indicating area of expertise and interest: Marketing, public relations, social media management, event management and membership recruitment. Passion is people and engaging in continuous improvement cycle for events, activities and social interactions.

Special responsibilities: Marketing & Sponsorship & HR Committees

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

James Tinirau West

Director (Appointed 12 February 2018)

Occupation: WA PCYC Boxing

Qualifications, experience and expertise: Youth Worker/Mentor. Teacher Aid (NZ). Instructor 3 Arts. PT Fitness. Manager PCYC and a Community Officer.

Special responsibilities: Marketing/Community Events

Interest in shares: Nil

Wendy Dale Dymond

Director (Appointed 30 November 2017)

Occupation: Consultant/Farmer

Qualifications, experience and expertise: Wendy owns & runs a commercial mixed farm in the Avon Valley. She also lectures into various agribusiness courses for Curint University, Charles Sturt University and Queensland University. As an active community member she recently established a Women in Farming Enterprise Branch in the Avon Valley; is a member of local community organisations including Fire Brigade, Northam Chamber of Commerce, Women in Business and Northam Agricultural Society.

Special responsibilities: Finance & Audit & HR Committees

Interest in shares: Nil

Cecil Allen Clabaugh

Director (Resigned 28 July 2017)

Occupation: University Senior Lecturer (retired)

Qualifications, experience and expertise: Retired after 22 years as a U.S Naval Flight Officer and took up a position in 1990 as a senior tutor at Edith Cowan University, Faculty of Business, School of Management. Areas of expertise: Management, Human Resources Management, Organisational Behaviour, Business Research Methods, Strategic Planning, Change Management and Learning Organisations. Retired a second time after 17 years at ECU as a senior lecturer. Tertiary qualifications: BA (English) University of Colorado, MS (Human Resources Management) Golden Gate University, PhD (Business Studies) Edith Cowan University. Former member of the Australian-New Zealand Academy of Management (ANZAM) and the Australian Human Resources Institute (AHRI). Community activities since moving to Toodyay include former Chairman of the Toodyay Safety and Crime Prevention Committee, committee member of Living Communities Toodyay, Executive committee member of the Toodyay RSL sub-branch, and executive committee member of the Toodyay Historical Society.

Special responsibilities: Audit Committee

Interest in shares: Nil

Shelley Lyn Kingston

Director (Resigned 20 July 2017)

Occupation: Bank Officer/Board Executive Office/Treasurer

Qualifications, experience and expertise: I bring a very different aspect to our **Community Bank**[®] Board. Born in Toodyay I guess my heart is worn on my sleeve when it comes to our community. After 10 years of moving around with my career, myself and my partner returned and settled back into Toodyay, currently raising our two daughters and running our own courier business. My chosen career path has seen me always working within the banking industry and joining the Toodyay & Districts **Community Bank**[®] Branch staff in 2001 until 2004. Taking a couple of years off to concentrate on motherhood, I returned to our Bank in 2006 taking on the dual roles of Company bookkeeper and a branch staff member. Earlier this year I was offered a position to join our Board of Directors, which I was honoured to accept, thus taking me off on a new journey of discovery and involvement. My involvement since 2013 with the Tidy Towns Committee keeps me very actively involved within our community, working closely together to achieve the ultimate title of Australia's Tidiest Town in 2015.

Special responsibilities: Management of Share Register, Treasurer, Sponsorship Committee

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

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

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

Company Secretary

The company secretary is Andrea Carling. Andrea was appointed to the position of secretary in September 2018. Taking over from Philip Perkins and Wendy Dymond who both held this role at different times throughout the financial year.

Principal Activities

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

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

Operating results

The profit/(loss) of the company for the financial year after provision for income tax was:

| Year ended 30 June 2018 \$ | Year ended 30 June 2017 \$ |
|-------------------------------|-------------------------------|
| 18,192 | (57,802) |

General operating activities have continued to perform in line with expectations.

Dividends

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

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' report (continued)

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 21 and 22 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

| | Board Meetings Attended | |
|---|-------------------------|----------|
| | Eligible | Attended |
| Andrea Elizabeth Carling | 12 | 12 |
| Clifford John Clarke | 12 | 12 |
| Philip Trevor Perkins | 12 | 10 |
| Esther Bliss (Appointed 12 February 2018) | 6 | 5 |
| James Tinirau West (Appointed 12 February 2018) | 6 | 4 |
| Wendy Dale Dymond (Appointed 30 November 2017) | 7 | 5 |
| Cecil Allen Clabaugh (Resigned 28 July 2017) | - | - |
| Shelley Lyn Kingston (Resigned 20 July 2017) | - | - |

Proceedings on behalf of the company

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

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

Non audit services

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

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

Directors' report (continued)

Non audit services (continued)

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11.

Signed in accordance with a resolution of the board of directors at Toodyay, Western Australia on 7 September 2018.



Andrea Elizabeth Carling,
Chair

Auditor's independence declaration



Partners in success

Chartered Accountants

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

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

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

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

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

David Hutchings
Lead Auditor

Financial statements

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

| | Notes | 2018 \$ | 2017 \$ |
|--|-------|---------------|-----------------|
| Revenue from ordinary activities | 4 | 1,093,443 | 1,019,105 |
| Employee benefits expense | | (593,139) | (626,237) |
| Charitable donations, sponsorship, advertising and promotion | | (89,445) | (73,198) |
| Occupancy and associated costs | | (83,740) | (71,098) |
| Systems costs | | (59,839) | (51,417) |
| Depreciation and amortisation expense | 5 | (45,698) | (42,572) |
| Finance costs | 5 | (14) | (388) |
| Impairment losses | 5 | (60,822) | (101,246) |
| General administration expenses | | (135,334) | (132,669) |
| Profit/(loss) before income tax | | 25,412 | (79,720) |
| Income tax (expense)/credit | 6 | (7,220) | 21,918 |
| Profit/(loss) after income tax | | 18,192 | (57,802) |
| Total comprehensive income for the year attributable to the ordinary shareholders of the company: | | 18,192 | (57,802) |
| Earnings per share | | ¢ | ¢ |
| Basic earnings per share | 23 | 5.31 | (16.88) |

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2018

| | Notes | 2018 \$ | 2017 \$ |
|--------------------------------------|-------|----------------|----------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 7 | 186,568 | 121,308 |
| Trade and other receivables | 8 | 96,948 | 98,476 |
| Current tax asset | 12 | - | 9,551 |
| Total current assets | | 283,516 | 229,335 |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 72,991 | 68,626 |
| Investment Properties | 10 | 440,000 | 510,000 |
| Intangible assets | 11 | 31,541 | 45,152 |
| Deferred tax asset | 12 | 65,184 | 56,002 |
| Total non-current assets | | 609,716 | 679,780 |
| Total assets | | 893,232 | 909,115 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 13 | 50,070 | 69,143 |
| Current tax liabilities | 12 | 11,748 | - |
| Borrowings | 14 | 346 | 93 |
| Provisions | 15 | 82,881 | 98,095 |
| Total current liabilities | | 145,045 | 167,331 |
| Non-current liabilities | | | |
| Trade and other payables | 13 | 14,972 | 29,945 |
| Provisions | 15 | 4,786 | 1,602 |
| Total non-current liabilities | | 19,758 | 31,547 |
| Total liabilities | | 164,803 | 198,878 |
| Net assets | | 728,429 | 710,237 |
| EQUITY | | | |
| Issued capital | 16 | 342,359 | 342,359 |
| Retained earnings | 17 | 386,070 | 367,878 |
| Total equity | | 728,429 | 710,237 |

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 | | 342,359 | 425,680 | 768,039 |
| Total comprehensive income for the year | | - | (57,802) | (57,802) |
| Transactions with owners in their capacity as owners: | | | | |
| Shares issued during period | | - | - | - |
| Costs of issuing shares | | - | - | - |
| Dividends provided for or paid | | - | - | - |
| Balance at 30 June 2017 | | 342,359 | 367,878 | 710,237 |
| Balance at 1 July 2017 | | 342,359 | 367,878 | 710,237 |
| Total comprehensive income for the year | | - | 18,192 | 18,192 |
| Transactions with owners in their capacity as owners: | | | | |
| Shares issued during period | | - | - | - |
| Costs of issuing shares | | - | - | - |
| Dividends provided for or paid | | - | - | - |
| Balance at 30 June 2018 | | 342,359 | 386,070 | 728,429 |

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 \$ |
|---|-------------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 1,189,736 | 1,095,379 |
| Payments to suppliers and employees | | (1,093,869) | (1,011,597) |
| Interest received | | 850 | 175 |
| Interest paid | | (14) | (388) |
| Income taxes refunded/(paid) | | 4,897 | 108 |
| Net cash provided by operating activities | 18 | 101,600 | 83,677 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (27,274) | - |
| Proceeds for property, plant and equipment | | 4,545 | - |
| Payments for intangible assets | | (13,611) | (22,466) |
| Payments for investments | | - | (2,434) |
| Net cash used in investing activities | | (36,340) | (24,900) |
| Cash flows from financing activities | | | |
| Repayment of borrowings | | - | (9,425) |
| Net cash used in financing activities | | - | (9,425) |
| Net increase in cash held | | 65,260 | 49,352 |
| Cash and cash equivalents at the beginning of the financial year | | 121,308 | 71,956 |
| Cash and cash equivalents at the end of the financial year | 7(a) | 186,568 | 121,308 |

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2018

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

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

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating leases of its branches. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to \$123,528, on an undiscounted basis (see Note 19).

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

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

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

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

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

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

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

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

Notes to the financial statements (continued)

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

b) Revenue

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

Revenue calculation

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Commission

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

Fee income

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

Discretionary financial contributions

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

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

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

Notes to the financial statements (continued)

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

b) Revenue (*continued*)

Ability to change financial return

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

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

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

Notes to the financial statements (continued)

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

c) Income tax *(continued)*

Deferred tax (continued)

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

| | | |
|--------------------------|----------|-------|
| - leasehold improvements | 5 - 15 | years |
| - plant and equipment | 2.5 - 40 | years |
| - computer equipment | 2 - 4 | years |
| - motor vehicles | 3 - 5 | years |

Notes to the financial statements (continued)

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Financial liabilities

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

Impairment

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

l) Leases

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

m) Provisions

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

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

n) Issued capital

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Notes to the financial statements (continued)

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

Notes to the financial statements (continued)

| Note 4. | Revenue from ordinary activities | 2018 | 2017 |
|---|----------------------------------|------------------|------------------|
| | | \$ | \$ |
| Operating activities: | | | |
| - gross margin | | 847,715 | 769,181 |
| - services commissions | | 86,124 | 99,144 |
| - fee income | | 85,403 | 97,821 |
| - market development fund | | 35,000 | 27,500 |
| - other revenue | | 328 | - |
| Total revenue from operating activities | | <u>1,054,570</u> | <u>993,646</u> |
| Non-operating activities: | | | |
| - interest received | | 597 | 175 |
| - profit on sale of asset | | 4,545 | - |
| - rental revenue | | 33,731 | 25,284 |
| Total revenue from non-operating activities | | <u>38,873</u> | <u>25,459</u> |
| Total revenues from ordinary activities | | <u>1,093,443</u> | <u>1,019,105</u> |

| Note 5. | Expenses | | |
|-------------------------------------|----------|---------------|----------------|
| Depreciation of non-current assets: | | | |
| - plant and equipment | | 4,744 | 1,133 |
| - computer equipment | | 77 | - |
| - leasehold improvements | | 18,088 | 16,681 |
| - investment properties | | 9,178 | 11,147 |
| Amortisation of non-current assets: | | | |
| - franchise agreement | | 2,269 | 3,107 |
| - franchise renewal fee | | 11,342 | 10,504 |
| | | <u>45,698</u> | <u>42,572</u> |
| Finance costs: | | | |
| - interest paid | | <u>14</u> | <u>388</u> |
| Bad debts | | <u>46</u> | <u>2,740</u> |
| Impairment losses | Note 10 | <u>60,822</u> | <u>101,246</u> |
| Loss on disposal of assets | | <u>840</u> | <u>1,692</u> |

Notes to the financial statements (continued)

| Note 6. | Income tax expense/(credit) | 2018 | 2017 |
|--|-----------------------------|--------------|-----------------|
| | | \$ | \$ |
| The components of tax expense/(credit) comprise: | | | |
| - Current tax | | 16,402 | 1,300 |
| - Movement in deferred tax | | (9,182) | (30,870) |
| - Recoupment of prior year tax losses | | - | 7,652 |
| | | <u>7,220</u> | <u>(21,918)</u> |

The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense/(credit) as follows

| | | |
|---|---------------|-----------------|
| Operating profit/(loss) | 25,412 | (79,720) |
| Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%) | 6,988 | 5,920 |
| Add tax effect of: | | |
| - non-deductible expenses | 16,957 | 470 |
| - timing difference expenses | (6,293) | 3,027 |
| - other deductible expenses | (1,250) | (465) |
| | <u>16,402</u> | <u>8,952</u> |
| Movement in deferred tax | (9,182) | (30,870) |
| | <u>7,220</u> | <u>(21,918)</u> |

Note 7. Cash and cash equivalents

| | | |
|--------------------------|----------------|----------------|
| Cash at bank and on hand | <u>186,568</u> | <u>121,308</u> |
|--------------------------|----------------|----------------|

Note 7.(a) Reconciliation to cash flow statement

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

| | | |
|--------------------------|----------------|----------------|
| Cash at bank and on hand | <u>186,568</u> | <u>121,308</u> |
|--------------------------|----------------|----------------|

Note 8. Trade and other receivables

| | | |
|-------------------|---------------|---------------|
| Trade receivables | 83,651 | 77,584 |
| Prepayments | 11,870 | 20,892 |
| | <u>96,948</u> | <u>98,476</u> |

Notes to the financial statements (continued)

| Note 9. | Property, plant and equipment | 2018 \$ | 2017 \$ |
|---------|-------------------------------|---------------|---------------|
| | Leasehold improvements | | |
| | At cost | 262,522 | 266,183 |
| | Less accumulated depreciation | (211,984) | (197,557) |
| | | <u>50,538</u> | <u>68,626</u> |
| | Plant and equipment | | |
| | At cost | 88,067 | 58,248 |
| | Less accumulated depreciation | (66,653) | (58,248) |
| | | <u>21,414</u> | <u>-</u> |
| | Motor vehicles | | |
| | At cost | - | 31,409 |
| | Less accumulated depreciation | - | (31,409) |
| | | <u>-</u> | <u>-</u> |
| | Computer equipment | | |
| | At cost | 5,429 | 4,313 |
| | Less accumulated depreciation | (4,390) | (4,313) |
| | | <u>1,039</u> | <u>-</u> |
| | Total written down amount | <u>72,991</u> | <u>68,626</u> |

Movements in carrying amounts:

| | | | |
|--|------------------------------|---------------|---------------|
| | Leasehold improvements | | |
| | Carrying amount at beginning | 68,626 | 86,440 |
| | Additions | - | - |
| | Disposals | - | - |
| | Less: depreciation expense | (18,088) | (17,814) |
| | Carrying amount at end | <u>50,538</u> | <u>68,626</u> |
| | Plant and equipment | | |
| | Carrying amount at beginning | - | - |
| | Additions | 26,158 | - |
| | Disposals | - | - |
| | Less: depreciation expense | (4,744) | - |
| | Carrying amount at end | <u>21,414</u> | <u>-</u> |
| | Computer equipment | | |
| | Carrying amount at beginning | - | - |
| | Additions | 1,116 | - |
| | Disposals | - | - |
| | Less: depreciation expense | (77) | - |
| | Carrying amount at end | <u>1,039</u> | <u>-</u> |
| | Total written down amount | <u>72,991</u> | <u>68,626</u> |

Notes to the financial statements (continued)

| Note 10. Investment Properties | 2018 | 2017 |
|---------------------------------------|----------------|----------------|
| | \$ | \$ |
| 33 Hamersley Street - at cost | 215,000 | 230,000 |
| Less accumulated depreciation | - | - |
| | <u>215,000</u> | <u>230,000</u> |
| 66 Stirling Terrace - at cost | 225,000 | 280,000 |
| Less accumulated depreciation | - | - |
| | <u>225,000</u> | <u>280,000</u> |
| Total written down amount | <u>440,000</u> | <u>510,000</u> |
| Movements in carrying amounts: | | |
| 33 Hamersley Street | | |
| Carrying amount at beginning | 230,000 | 316,964 |
| Additions | - | 2,434 |
| Disposals | - | (1,692) |
| Less: depreciation expense | (1,606) | (2,278) |
| Less: impairment loss on valuation | (13,394) | (85,428) |
| Carrying amount at end | <u>215,000</u> | <u>230,000</u> |
| 66 Stirling Terrace | | |
| Carrying amount at beginning | 280,000 | 304,687 |
| Additions | - | - |
| Disposals | - | - |
| Less: depreciation expense | (7,572) | (8,869) |
| Less: impairment loss on valuation | (47,428) | (15,818) |
| Carrying amount at end | <u>225,000</u> | <u>280,000</u> |
| Total written down amount | <u>440,000</u> | <u>510,000</u> |

The company's investment properties were independently valued effective 30 June 2018 by LJ Hooker Toodyay. The valuations resulted in a decrement to the carrying amount of the properties, recognised as an impairment loss of \$60,822 in the Statement of Profit or Loss and Other Comprehensive Income.

| Note 11. Intangible assets | | |
|--------------------------------|---------------|---------------|
| Franchise fee | | |
| At cost | 61,343 | 61,343 |
| Less: accumulated amortisation | (57,562) | (55,293) |
| | <u>3,781</u> | <u>6,050</u> |
| Renewal processing fee | | |
| At cost | 56,713 | 56,713 |
| Less: accumulated amortisation | (37,809) | (26,466) |
| | <u>18,904</u> | <u>30,247</u> |
| Goodwill on purchase of agency | | |
| At cost | <u>8,856</u> | <u>8,855</u> |
| Total written down amount | <u>31,541</u> | <u>45,152</u> |

Notes to the financial statements (continued)

| Note 12. Tax | 2018 | 2017 |
|--|----------------|-----------------|
| | \$ | \$ |
| Current: | | |
| Income tax payable/(refundable) | <u>11,748</u> | <u>(9,551)</u> |
| Non-Current: | | |
| Deferred tax assets | | |
| - accruals | 770 | 742 |
| - employee provisions | 24,108 | 27,417 |
| - investment properties | 40,698 | 27,843 |
| | <u>65,576</u> | <u>56,002</u> |
| Deferred tax liability | | |
| - accruals | <u>392</u> | <u>-</u> |
| Net deferred tax asset | <u>65,184</u> | <u>56,002</u> |
| Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income | <u>(9,182)</u> | <u>(13,161)</u> |

Note 13. Trade and other payables

| | | |
|------------------------------|---------------|---------------|
| Current: | | |
| Other creditors and accruals | <u>50,070</u> | <u>69,143</u> |
| Non-Current: | | |
| Other creditors and accruals | <u>14,972</u> | <u>29,945</u> |

Note 14. Borrowings

| | | |
|------------|------------|-----------|
| Bank loans | <u>346</u> | <u>93</u> |
|------------|------------|-----------|

The loans are principle and interest variable facilities taken out to fund purchases of properties at 33 Hamersley Street and 66 Stirling Terrace, Toodyay. The loans have terms of 20 and 25 years respectively ending on 16 Oct 2032 and 16 Oct 2027.

The company has had the ability to repay the loans at a faster rate than the intended borrowing term.

Notes to the financial statements (continued)

| Note 15. | Provisions | 2018 \$ | 2017 \$ |
|----------|----------------------------------|---------------|---------------|
| | Current: | | |
| | Provision for annual leave | 51,296 | 63,789 |
| | Provision for long service leave | 31,585 | 34,306 |
| | | <u>82,881</u> | <u>98,095</u> |
| | Non-Current: | | |
| | Provision for long service leave | <u>4,786</u> | <u>1,602</u> |

| Note 16. | Issued capital | | |
|----------|--|----------------|----------------|
| | 342,359 ordinary shares fully paid (2017: 342,359) | <u>342,359</u> | <u>342,359</u> |

Rights attached to shares

(a) *Voting rights*

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

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

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

(b) *Dividends*

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

(c) *Transfer*

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

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

Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if any of the following applies if they control or own 10% or more of the shares in the company (the "10% limit").

Notes to the financial statements (continued)

Note 16. Issued capital (continued)

Prohibited shareholding interest (continued)

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

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

| Note 17. Retained earnings | 2018 \$ | 2017 \$ |
|---|----------------|----------------|
| Balance at the beginning of the financial year | 367,878 | 425,680 |
| Net profit/(loss) from ordinary activities after income tax | 18,192 | (57,802) |
| Balance at the end of the financial year | <u>386,070</u> | <u>367,878</u> |

Note 18. Statement of cash flows

Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by operating activities

| | | |
|---|----------------|---------------|
| Profit/(loss) from ordinary activities after income tax | 18,192 | (57,802) |
| Non cash items: | | |
| - depreciation | 32,087 | 28,961 |
| - amortisation | 13,611 | 13,611 |
| - impairment losses | 60,822 | 101,246 |
| - charges on borrowings not paid | 253 | - |
| - profit on disposal of asset | (4,545) | - |
| - loss on disposal of asset | - | 1,692 |
| Changes in assets and liabilities: | | |
| - (increase)/decrease in receivables | 1,528 | (24,555) |
| - (increase)/decrease in other assets | 369 | (21,810) |
| - increase/(decrease) in payables | (20,435) | 25,499 |
| - increase/(decrease) in provisions | (12,030) | 16,835 |
| - increase/(decrease) in current tax liabilities | 11,748 | - |
| Net cash flows provided by operating activities | <u>101,600</u> | <u>83,677</u> |

Notes to the financial statements (continued)

| Note 19. Leases | 2018 | 2017 |
|---|----------------|----------------|
| | \$ | \$ |
| Operating lease commitments | | |
| Non-cancellable operating leases contracted for but not capitalised in the financial statements | | |
| Payable - minimum lease payments: | | |
| - not later than 12 months | 47,259 | 43,207 |
| - between 12 months and 5 years | 76,269 | 105,612 |
| - greater than 5 years | - | - |
| | <u>123,528</u> | <u>148,819</u> |

The Toodyay branch operating lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease started in February 2015.

The Northam Customer Service Centre operating lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease started in April 2017.

| Note 20. Auditor's remuneration | 2018 | 2017 |
|---|---------------|--------------|
| | \$ | \$ |
| Amounts received or due and receivable by the auditor of the company for: | | |
| - audit and review services | 4,400 | 4,300 |
| - non audit services | 6,972 | 5,299 |
| | <u>11,372</u> | <u>9,599</u> |

Note 21. Director and related party disclosures

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

Andrea Elizabeth Carling

Clifford John Clarke

Philip Trevor Perkins

Esther Bliss (*Appointed 12 February 2018*)

James Tinirau West (*Appointed 12 February 2018*)

Wendy Dale Dymond (*Appointed 30 November 2017*)

Cecil Allen Clabaugh (*Resigned 28 July 2017*)

Shelley Lyn Kingston (*Resigned 20 July 2017*)

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

| | | |
|--|------|--------|
| Transactions with related parties: | 2018 | 2017 |
| | \$ | \$ |
| Shelley Kingston held a normal employee position within the Toodyay branch until her resignation and was paid the average amount for her role. Shelley was also the company treasurer and bookkeeper which she was paid \$nil (2017: \$23,336) for her services during the financial year. | - | 23,336 |

Notes to the financial statements (continued)

Note 21. Director and related party disclosures (continued)

| Directors Shareholdings | 2018 | 2017 |
|---|------|------|
| Andrea Elizabeth Carling | - | - |
| Clifford John Clarke | - | - |
| Philip Trevor Perkins | - | - |
| Esther Bliss (Appointed 12 February 2018) | - | - |
| James Tinirau West (Appointed 12 February 2018) | - | - |
| Wendy Dale Dymond (Appointed 30 November 2017) | - | - |
| Cecil Allen Clabaugh (Resigned 28 July 2017.) | - | - |
| Shelley Lyn Kingston (Resigned 20 July 2017) | - | - |

There was no movement in directors shareholdings during the year.

Note 22. Key management personnel disclosures

| | 2018 | 2017 |
|---|---------------|--------------|
| | \$ | \$ |
| The directors received remuneration including superannuation, as follows: | | |
| Andrea Elizabeth Carling | 3,980 | 750 |
| Clifford John Clarke | 1,200 | 1,650 |
| Philip Trevor Perkins | 3,750 | 650 |
| Esther Bliss (Appointed 12 February 2018) | 200 | - |
| James Tinirau West (Appointed 12 February 2018) | - | - |
| Wendy Dale Dymond (Appointed 30 November 2017) | 880 | - |
| Cecil Allen Clabaugh (Resigned 28 July 2017.) | - | - |
| Shelley Lyn Kingston (Resigned 20 July 2017) | - | - |
| | <u>10,010</u> | <u>3,050</u> |

Community Bank® Directors' Privileges Package

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

| Note 23. Earnings per share | 2018 | 2017 |
|---|---------|----------|
| | \$ | \$ |
| (a) Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share | 18,192 | (57,802) |
| | Number | Number |
| (b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 342,359 | 342,359 |

Note 24. Events occurring after the reporting date

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

Notes to the financial statements (continued)

Note 25. Contingent liabilities and contingent assets

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

Note 26. Community Enterprise Foundation

The company maintains a balance from previous contributions in the Community Enterprise Foundation (CEF), the philanthropic arm of the Bendigo and Adelaide Bank Group. These contributions form part of charitable donations and sponsorship expenditure included in the Statement of Profit or Loss and Other Comprehensive Income.

The funds contributed are held by the CEF in trust on behalf of the company and are available for distribution as grants to eligible applicants. The balance of funds held by the CEF as at 30 June 2018 is as follows:

| | 2018 \$ | 2017 \$ |
|------------------------------------|----------------|---------------|
| Opening balance | 72,985 | 71,513 |
| Contributions | 30,105 | - |
| Interest | 1,598 | 1,472 |
| Management fees | (4,104) | - |
| Balance available for distribution | <u>100,584</u> | <u>72,985</u> |

Note 27. Segment reporting

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

Note 28. Registered office/Principal place of business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office
108 Stirling Terrace
Toodyay WA 6566

Principal Place of Business
108 Stirling Terrace
Toodyay WA 6566

Notes to the financial statements (continued)

Note 29. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

| Financial instrument | Floating interest | | Fixed interest rate maturing in | | | | | | Non interest bearing | | Weighted average | |
|------------------------------|-------------------|---------|---------------------------------|------|-------------------|------|--------------|------|----------------------|--------|------------------|------|
| | | | 1 year or less | | Over 1 to 5 years | | Over 5 years | | | | | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % | % |
| Financial assets | | | | | | | | | | | | |
| Cash and cash equivalents | 186,568 | 121,308 | - | - | - | - | - | - | - | - | 0.37 | 0.19 |
| Receivables | - | - | - | - | - | - | - | - | 83,651 | 77,584 | N/A | N/A |
| Financial liabilities | | | | | | | | | | | | |
| Interest bearing liabilities | - | - | 346 | 93 | - | - | - | - | - | - | 5.51 | 5.51 |
| Payables | - | - | - | - | - | - | - | - | - | - | N/A | N/A |

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

| | 2018 | 2017 |
|---------------------------------|---------|---------|
| | \$ | \$ |
| Change in profit/(loss) | | |
| Increase in interest rate by 1% | 1,862 | 1,212 |
| Decrease in interest rate by 1% | (1,862) | (1,212) |
| Change in equity | | |
| Increase in interest rate by 1% | 1,862 | 1,212 |
| Decrease in interest rate by 1% | (1,862) | (1,212) |

Directors' declaration

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

In the opinion of the directors:

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

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



Andrea Elizabeth Carling, Chair

Signed on the 27th of September 2018.

Independent audit report



Chartered Accountants

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

Independent auditor's report to the members of Toodyay & Districts Community Financial Services Limited

Report on the audit of the financial statements

Our opinion

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

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

What we have audited

Toodyay & Districts Community Financial Services Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

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Independent audit report (continued)

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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



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



David Hutchings
Lead Auditor

Toodyay & Districts **Community Bank®** Branch
108 Stirling, Terrace, Toodyay WA 6566
Phone: (08) 9574 4077 Fax: (08) 9574 4222

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