

Tugun & District
Finances Limited

ABN 57 102 056 306

2018 Annual Report



Contents

Chair's report	2
Manager's report	4
Bendigo and Adelaide Bank report	6
Directors' report	7
Auditor's independence declaration	12
Financial statements	13
Notes to the financial statements	17
Directors' declaration	38
Independent audit report	39



Chair's report

For year ending 30 June 2018

The 2017/18 financial year has been a very busy and exciting year for Tugun **Community Bank**[®] Branch, the Board of Directors and staff. Besides the obligations to our partner Bendigo and Adelaide Bank Limited, regulatory requirements, attending monthly Board and Committee meetings, strategic planning and our community commitments, we have developed and provided exciting initiatives for the community to share.

Firstly, we were proud to celebrate our 15th birthday and to help commemorate this wonderful milestone we provided \$15,000 in community funding which was shared by three successful applicants, Coolangatta State School, Southern Beaches Community Garden and Fight 4 Youth for worthwhile projects and initiatives.

We continued our community support with hosting a Community Forum to help identify the needs of our community. As a direct result of the forum, we were pleased to launch the GC South Community App and sponsor the inaugural family community event, Creative Life. We are continuing to review the outcomes from the forum and we are currently working together with community representatives on a number of youth related projects which initially stemmed from the Community Forum and was reinforced at the recently held Youth Forum. We could not have been more pleased with the outcomes. There were in excess of 60 people in the room with many members of the youth community having their say. A Youth committee has been formed. I encourage you to keep an eye for developments in this area and should you wish to be involved, reach out to Lisa FitzGerald, who Chairs the Community Engagement Committee for more information. Providing our local youth alternatives to stay engaged and be active, ensures our wider community benefits. Our funding support also extended to the categories of sport, education, events, youth, health and arts and culture.

To support businesses in our local area, we have also instigated quarterly networking opportunities and to date, these have been supported by up to 30 businesses. With businesses in Tugun developing every week, it's a relaxed environment for local business owners to enjoy a quiet evening to network.

Our very busy, Community Engagement Committee (CEC) participated in a Strategic Planning day to ensure a focus is maintained and meets the overall strategic direction of the Tugun **Community Bank**[®] Branch.

To shareholders who continue to support the Tugun **Community Bank**[®] Branch, we are as always extremely grateful. To new shareholders, we welcome you on this journey and encourage to get involved with your **Community Bank**[®] branch. We are thrilled with the successes of the previous year and this can only be achieved with a successful financial result and this is largely thanks to the support of our customers and shareholders.

I am pleased to report that the company achieved profit of \$63,968 after income tax expense. This is down from the previous year's profit of \$107,443 after income tax expense by \$43,475, primarily due to the extensive financial support we have provided to our local community.

I would like to take the opportunity to welcome newly appointed Directors Chris Crawford and Kerry Shepherd, who both bring a wealth of experience and dedication to the community. We thank them for their commitment to the role as volunteer Directors and look forward to working closely with them as members of our local community. I also would like to acknowledge Wendy Handley. Wendy has served as a volunteer Director, Chair and committee member for 10 years and the passion and dedication under her leadership has helped achieve so much for our local community.

I acknowledge and sincerely thank my fellow Board of Directors Lisa FitzGerald, Bob Marshall, Colin Woodward, Norbert Benton and Cameron Window, who are also a part of this enthusiastic group of volunteers.

Chair's report (continued)

To our dedicated staff – thank you. We are fortunate to have staff that are committed in providing exceptional service to our customers as well as their commitment to the community. Aptly lead by Branch Manager, Allan Merlehan, our experienced staff are able to handle any of your banking enquiries and I invite you to consider the change to Tugun **Community Bank**[®] Branch, if you haven't already done so, to enable us to further support our community and shareholders.

Following two years in the Chair's role, I have decided to take my leave from the Board, due to my work commitments. It has been an exceptional two years and the ethos behind the **Community Bank**[®] model is outstanding. I have been honoured to have been involved and wish my fellow Directors all the very best for future endeavours.



Andrea Lewis
Co-Chair

Manager's report

For year ending 30 June 2018

This year marked our 15th year of operations in the Tugun community and we are proud to share \$1.2 million in contributions back into our community. To celebrate, the branch, the Board and Community Engagement Committee worked tirelessly to bring several important initiatives to fruition in the community.

- The \$15,000 Community Funding Program, where community organisations were invited to apply for funding and three groups - Fight 4 Youth, Coolangatta State School and Southern Beaches Community Garden were granted \$5,000 each to assist them in providing services to the local community.
- A Community Forum was held with over 60 representatives from not-for-profit groups along with our Local Councillor Gail O'Neill and State Member Jann Stuckey to discuss the needs within our community.
- The Lions Pride Program encouraging junior AFL players to develop important life skills and values.
- Tugun Village Business Networking Event, providing opportunities for our local businesses to network.
- Gold Coast South Community App, a free App to encourage locals and visitors use local business and services to boost local economic growth.
- PBC State High School – five year sponsorship to provide a bus that will be used by all faculties at the school to transport students to and from their programs.

The staff at Tugun **Community Bank**[®] Branch have continued to work hard in a challenging local environment with customers selling assets and paying off debt.

Highlights for the year include:

- Income up \$50,000 on previous year
- Profit (before sponsorships) \$187,000 against a Budget \$150,000
- Total business increased \$1.1 million in a challenging market.

The Tugun **Community Bank**[®] Branch provided sponsorships and donations of over \$92,000 in the last 12 months to the following worthwhile local community groups.

Alley Board Riders	PBC Alliance
Youth Music Venture	PBC State High School
Currumbin Vikings SLSC	Palm Beach Currumbin AFL Club
Connecting Southern Gold Coast	Swell Sculpture Festival
Coolangatta Tugun Catholic Parish	Teenage Adventures Camp QLD
Coolangatta State School	Southern Beaches Community Garden
Fight 4 Youth Program	Creative Life Event @ Tugun
Gold Coast Antique Auto Club	Tugun Bowls Club
Gold Coast Hospital Foundation	Tugun Surf Life Savings Club
Kirra Criterium	Tugun Seahawks JRLFC
Mater Little Miracles	U3A
Southern Business Women Connect Luncheon	Woodwork & Craft Club
Pottsville Primary School	

Manager's report (continued)

I would like to take this opportunity to thank the Board of Directors, the Community Engagement Committee and the Finance Committee on behalf of myself and staff of Team Tugun, their continued support and assistance, on a volunteer basis, has been invaluable in the continued growth of our business.

I would like to thank recent retiring Board Member and Co-Chair Andrea Lewis for her efforts over the last two years and especially taking over the busy role of Chair, alongside Lisa Fitz Gerald. Andrea's drive and enthusiasm for Tugun **Community Bank**® Branch will be missed. I wish Andrea all the best in her future endeavours.

As with most years we have had some personnel changes over the last 12 months.

- Jess Smith is currently on Parental Leave and has taken a role at Mudgeeraba branch to be closer to home. We wish Jess, Allen, Heath and Lucy all the best for the future.
- Julie Beck has joined us from Townsville and has become a valued member of the team in a short period of time.
- Ian MacKinnon has recently announced his retirement as of 29 September 2018. We thank Ian for his enthusiasm over the last three years. Ian's positive approach and passion for helping our customers and his fellow colleagues will be sorely missed. We wish Ian all the best in the next chapter of his life.

I would like to thank the staff at Tugun for their efforts throughout the year in what was another challenging and rewarding year. The staff also worked in their own personal time to raise funds and assist with our sponsorship/grant programs throughout the year.

We look forward to another successful year ahead. The team at Tugun **Community Bank**® Branch encourage our shareholders and customers to continue to tell their family and friends about us and what being a customer of our branch can do for this wonderful community.



Allan Merlehan
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2018

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

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

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

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

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

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

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

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

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

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

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



Robert Musgrove
Bendigo and Adelaide Bank

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:

Lisa Kathleen Fitzgerald

Co-Chair

Occupation: Swim Teacher

Qualifications, experience and expertise: Present - Client Liaison - Grower Services Support. 1989 to present - Special event and conference organiser. 2016 - 2011 - On a Mission & Adrenalin Festival Foundation Committee. 2009 - 2011 - St. Clare's Parish School Canteen Convenor. 2002 - 2006 - Mission Beach Outrigger Canoe Club Secretary. 1998 - 2002 - Tully Tennis Club Committee. 1998 - 2003 - St. Clare's Catholic Church Fundraising Co-ordinator Church renovation.

Special responsibilities: Community Engagement Committee

Interest in shares: Nil

Cameron Kenneth Window

Deputy Chair

Occupation: Fixed Income Broker

Qualifications, experience and expertise: Qualifications: Bachelor of Business - QUT. Bachelor of Applied Science - QUT. Diploma of Financial Markets - AFMA. Occupations: Executive Manager - Fixed Income - MINT Partners (current). Associate Director - Fixed Income - FIIG Securities (2012 - 2016). Project Manager and Analyst - Flight Centre (2010 - 2012). Area Operations Leader - Flight Centre (2005 - 2010). Skills: Financial markets trading and analysis. Relationship/account management. Business operations and project management.

Special responsibilities: Finance Committee

Interest in shares: Nil

Robert William Marshall

Secretary

Occupation: Retired Solicitor

Qualifications, experience and expertise: Retired solicitor. Board member Lindisfarne Anglican School.

Special responsibilities: Finance Committee

Interest in shares: 5,500

Colin Raymond Woodward

Treasurer

Occupation: Public Accountant - CPA

Qualifications, experience and expertise: Bachelor of Business, Fellow of CPA Australia, Fellow of Taxation Institute of Australia, Justice of the Peace (Qualified).

Special responsibilities: Finance Committee

Interest in shares: 1,000

Directors' report (continued)

Directors (continued)

Norbert Anthony Benton

Director

Occupation: Environment Manager

Qualifications, experience and expertise: Over fifteen years professional experience in environmental management including ten years in current role as Environment Manager at Gold Coast Airport. Through my professional career and having completed a Bachelor of Science at Central Queensland university has equipped me with skills and knowledge in environmental management, sustainable development, governance and risk management practices along with forming good working relationships with an array of stakeholders including government agencies and community groups.

Special responsibilities: Finance Committee

Interest in shares: Nil

Christopher John Crawford

Director (Appointed 2 May 2018)

Occupation: Barrister

Qualifications, experience and expertise: Bachelor of Commerce (QLD) Bachelor of Laws (QLD), Master of Laws (Edin.), Doctor of Juridical Science (QUT). Solicitor of the Supreme Court of Queensland 2001-04. Barrister of the Supreme Court of Queensland 2004-present.

Special responsibilities: Community Engagement Committee

Interest in shares: Nil

Kerry May Shepherd

Director (Appointed 2 May 2018)

Occupation: Property Developer

Qualifications, experience and expertise: Co-founder of Budds Beach Community Association, Director of Landmatters Pty Ltd - developer of the The Ecovillage at Currumbin. Community Relationships/Sustainability Manager at Currumbin RSL.

Special responsibilities: Nil

Interest in shares: Nil

Andrea Maree Lewis

Director (Resigned 31 August 2018)

Occupation: Events Manager

Qualifications, experience and expertise: B.Bus (Convention & Event Management); Diploma of Events.

Special responsibilities: Co-Chair

Interest in shares: Nil

Wendy Patricia Handley

Director (Resigned 28 February 2018)

Occupation: Business Manager

Qualifications, experience and expertise: Bachelor of Physiotherapy, with more than 20 years experience as a physiotherapist and business manager.

Special responsibilities: Member of Community Engagement Committee and Audit and Finance Committee

Interest in shares: 6,000

Directors' report (continued)

Directors (continued)

Anthony John Brown

Director (Resigned 1 July 2017)

Occupation: RTO Operations Manager

Qualifications, experience and expertise: Trainer/lecturer for several RTO and Academic Institutions on the Gold Coast and in Brisbane. Current board member of Academique's Academic Board. Masters Degree of Business Administration. Skills include, but not limited to, Accounting and Bookkeeping, Financial Control, Coaching, Strategy, Business planning, Forecasting, HR and Professional Development, Administration and Teaching.

Special responsibilities: Nil

Interest in shares: Nil

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

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

Company Secretary

The company secretary is Robert William Marshall. Robert was appointed to the position of secretary on 23 January 2008.

Robert is a retired solicitor and his experience is in real estate and property development.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
63,968	107,443

Dividends

	Year ended 30 June 2018	
	Cents	\$
Dividends paid in the year	7	42,000

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.

Directors' report *(continued)*

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 20 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		Finance Committee Meetings		Community Engagement Committee Meetings	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Lisa Kathleen Fitzgerald	10	5	5	1	8	3
Cameron Kenneth Window	10	9	5	3	-	-
Robert William Marshall	10	7	5	4	-	-
Colin Raymond Woodward	10	10	5	5	-	-
Norbert Anthony Benton	10	9	5	3	-	-
Christopher John Crawford ¹	3	2	-	-	1	1
Kerry May Shepherd ¹	3	1	-	-	1	1
Andrea Maree Lewis ²	10	6	-	-	8	4
Wendy Patricia Handley ³	6	4	-	-	5	4
Anthony John Brown ⁴	-	-	-	-	-	-

1 Appointed 2 May 2018

2 Resigned 31 August 2018

3 Resigned 28 February 2018

4 Resigned 1 July 2017

Directors' report (continued)

Proceedings on behalf of the company

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

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

Non audit services

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

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

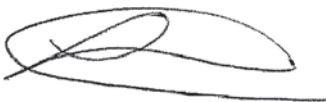
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the finance 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 12.

Signed in accordance with a resolution of the board of directors at Tugun, Queensland on 25 September 2018.



Lisa Kathleen Fitzgerald,
Co-Chair

Auditor's independence declaration



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 Tugun & District Finances Limited

As lead auditor for the audit of Tugun & District Finances 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.

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 25 September 2018

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

David Hutchings
Lead Auditor

Taxation | Audit | Business Services

Liability limited by a scheme approved under Professional Standards Legislation. ABN 51 061 795 337

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	972,211	914,391
Employee benefits expense		(512,392)	(476,256)
Sponsorship, advertising and promotion		(100,090)	(50,916)
Occupancy and associated costs		(95,121)	(90,475)
Systems costs		(20,204)	(19,744)
Depreciation and amortisation expense	5	(26,307)	(27,194)
General administration expenses		(129,848)	(101,083)
Profit before income tax expense		88,249	148,723
Income tax expense	6	(24,281)	(41,280)
Profit after income tax expense		63,968	107,443
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		63,968	107,443
Earnings per share		¢	¢
Basic earnings per share	24	10.66	17.91

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	436,802	490,288
Trade and other receivables	8	53,289	54,692
Current tax asset	12	2,762	-
Financial assets	9	100,404	-
Total current assets		593,257	544,980
Non-current assets			
Property, plant and equipment	10	61,975	73,914
Intangible assets	11	61,704	9,275
Total non-current assets		123,679	83,189
Total assets		716,936	628,169
LIABILITIES			
Current liabilities			
Trade and other payables	13	53,445	23,386
Current tax liabilities	12	-	8,781
Provisions	14	7,394	5,563
Total current liabilities		60,839	37,730
Non-current liabilities			
Trade and other payables	13	45,327	-
Deferred tax liabilities	12	2,795	4,432
Total non-current liabilities		48,122	4,432
Total liabilities		108,961	42,162
Net assets		607,975	586,007
EQUITY			
Issued capital	15	600,000	600,000
Retained earnings/(Accumulated losses)	16	7,975	(13,993)
Total equity		607,975	586,007

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Notes	Issued capital \$	Retained earnings/ (Accumulated Losses) \$	Total equity \$
Balance at 1 July 2016		600,000	(79,436)	520,564
Total comprehensive income for the year		-	107,443	107,443
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	22	-	(42,000)	(42,000)
Balance at 30 June 2017		600,000	(13,993)	586,007
Balance at 1 July 2017		600,000	(13,993)	586,007
Total comprehensive income for the year		-	63,968	63,968
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	22	-	(42,000)	(42,000)
Balance at 30 June 2018		600,000	7,975	607,975

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		1,061,373	988,300
Payments to suppliers and employees		(927,073)	(831,791)
Interest received		5,009	8,806
Income taxes paid		(37,461)	(72,865)
Net cash provided by operating activities	17	101,848	92,450
Cash flows from investing activities			
Payments for property, plant and equipment		(686)	(4,318)
Payments for intangible assets		(13,222)	-
Purchase of financial assets		(99,426)	-
Net cash used in investing activities		(113,334)	(4,318)
Cash flows from financing activities			
Dividends paid	22	(42,000)	(42,000)
Net cash used in financing activities		(42,000)	(42,000)
Net increase/(decrease) in cash held		(53,486)	46,132
Cash and cash equivalents at the beginning of the financial year		490,288	444,156
Cash and cash equivalents at the end of the financial year	7(a)	436,802	490,288

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 lease of its branch. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to \$295,713, 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 Tugun, Queensland.

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

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

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

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

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

- 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.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan.

For those products and services on which margin is paid, 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.

Products and services on which margin is paid include variable rate deposits and variable rate home loans.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

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.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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.

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 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Impairment

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

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.

Notes to the financial statements (continued)

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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

Note 4. Revenue from ordinary activities	2018	2017
	\$	\$
Operating activities:		
- gross margin	746,371	661,037
- services commissions	119,498	151,035
- fee income	67,552	68,401
- market development fund	25,000	25,000
Total revenue from operating activities	958,421	905,473
Non-operating activities:		
- interest received	11,245	8,918
- increase in net market value of financial assets	1,845	-
- other revenue	700	-
Total revenue from non-operating activities	13,790	8,918
Total revenues from ordinary activities	972,211	914,391

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	4,233	4,958
- leasehold improvements	8,392	8,392
Amortisation of non-current assets:		
- franchise agreement	2,296	2,307
- franchise renewal fee	11,386	11,537
	26,307	27,194
Bad debts	953	242
Decrease in market value of financial assets	867	-

Notes to the financial statements (continued)

Note 6.	Income tax expense	2018	2017
		\$	\$
	The components of tax expense comprise:		
	- Current tax	25,918	36,770
	- Movement in deferred tax	(1,637)	4,510
		<u>24,281</u>	<u>41,280</u>

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

Operating profit	88,249	148,723
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	24,269	40,899
Add tax effect of:		
- non-deductible expenses	12	381
- timing difference expenses	1,637	(4,510)
	<u>25,918</u>	<u>36,770</u>
Movement in deferred tax	(1,637)	4,510
	<u>24,281</u>	<u>41,280</u>

Note 7. Cash and cash equivalents

Cash at bank and on hand	182,676	238,116
Term deposits	254,126	252,172
	<u>436,802</u>	<u>490,288</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	182,676	238,116
Term deposits	254,126	252,172
	<u>436,802</u>	<u>490,288</u>

Note 8. Trade and other receivables

Trade receivables	41,371	43,503
Prepayments	9,429	9,619
Other receivables and accruals	2,489	1,570
	<u>53,289</u>	<u>54,692</u>

Notes to the financial statements (continued)

Note 9.	Financial assets	Note	2018	2017
			\$	\$

Current:

Available-for-sale financial assets			<u>100,404</u>	<u>-</u>
-------------------------------------	--	--	----------------	----------

Note 9.(a) Available-for-sale financial assets comprise:

Current

- Floating rate notes, at fair value	18		<u>100,404</u>	<u>-</u>
--------------------------------------	----	--	----------------	----------

Note 10. Property, plant and equipment

Leasehold improvements

At cost		152,842	152,842
Less accumulated depreciation		(105,889)	(97,497)
		<u>46,953</u>	<u>55,345</u>

Plant and equipment

At cost		127,505	126,819
Less accumulated depreciation		(112,483)	(108,250)
		<u>15,022</u>	<u>18,569</u>

Total written down amount		<u>61,975</u>	<u>73,914</u>
---------------------------	--	---------------	---------------

Movements in carrying amounts:

Leasehold improvements

Carrying amount at beginning		55,345	63,737
Additions		-	-
Disposals		-	-
Less: depreciation expense		(8,392)	(8,392)
Carrying amount at end		<u>46,953</u>	<u>55,345</u>

Plant and equipment

Carrying amount at beginning		18,569	19,209
Additions		686	4,318
Disposals		-	-
Less: depreciation expense		(4,233)	(4,958)
Carrying amount at end		<u>15,022</u>	<u>18,569</u>

Total written down amount		<u>61,975</u>	<u>73,914</u>
---------------------------	--	---------------	---------------

Notes to the financial statements (continued)

Note 11. Intangible assets	2018	2017
	\$	\$
Franchise fee		
At cost	94,059	83,041
Less: accumulated amortisation	(83,776)	(81,480)
	<u>10,283</u>	<u>1,561</u>
Renewal processing fee		
At cost	170,182	115,089
Less: accumulated amortisation	(118,761)	(107,375)
	<u>51,421</u>	<u>7,714</u>
Total written down amount	<u>61,704</u>	<u>9,275</u>

Note 12. Tax

Current:

Income tax payable/(refundable)	<u>(2,762)</u>	<u>8,781</u>
---------------------------------	----------------	--------------

Non-Current:

Deferred tax assets		
- accruals	810	775
- employee provisions	2,033	1,530
	<u>2,843</u>	<u>2,305</u>
Deferred tax liability		
- accruals	684	432
- property, plant and equipment	4,954	6,305
	<u>5,638</u>	<u>6,737</u>
Net deferred tax liability	<u>(2,795)</u>	<u>(4,432)</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>(1,637)</u>	<u>4,510</u>

Notes to the financial statements (continued)

Note 13. Trade and other payables	2018	2017
	\$	\$
Current:		
Trade creditors	5,968	462
Other creditors and accruals	47,477	22,924
	<u>53,445</u>	<u>23,386</u>
Non-Current:		
Other creditors and accruals	<u>45,327</u>	<u>-</u>

Note 14. Provisions		
Provision for annual leave	2,692	1,494
Provision for long service leave	4,702	4,069
	<u>7,394</u>	<u>5,563</u>

Note 15. Issued capital		
600,000 ordinary shares fully paid (2017: 600,000)	<u>600,000</u>	<u>600,000</u>

(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*.

Notes to the financial statements (continued)

Note 15. Issued capital (continued)

Prohibited shareholding interest

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

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

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 16. Retained earnings/(Accumulated losses)

	2018 \$	2017 \$
Balance at the beginning of the financial year	(13,993)	(79,436)
Net profit from ordinary activities after income tax	63,968	107,443
Dividends provided for or paid	(42,000)	(42,000)
Balance at the end of the financial year	<u>7,975</u>	<u>(13,993)</u>

Note 17. Statement of cash flows

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

Profit from ordinary activities after income tax	63,968	107,443
Non cash items:		
- depreciation	12,625	13,350
- amortisation	13,682	13,844
- change in market value of financial assets	(978)	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	1,403	(8,256)
- (increase)/decrease in other assets	(2,762)	78
- increase/(decrease) in payables	22,497	(2,501)
- increase in provisions	1,831	155
- decrease in current tax liabilities	(10,418)	(31,663)
Net cash flows provided by operating activities	<u>101,848</u>	<u>92,450</u>

Notes to the financial statements (continued)

Note 18. Fair value measurement

This section explains the judgements and estimates made in determining the fair values of the company's assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the applicable assets have been classified into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

At 30 June 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements:				
Available-for-sale financial assets				
Unlisted investments:				
- shares in other corporations	100,404	-	-	100,404
	<u>100,404</u>	<u>-</u>	<u>-</u>	<u>100,404</u>
Total assets at fair value	<u>100,404</u>	<u>-</u>	<u>-</u>	<u>100,404</u>

At 30 June 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements:				
Available-for-sale financial assets				
Unlisted investments:				
- shares in other corporations	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets at fair value	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

There were no transfers between Level 1 and Level 2 during the reporting period. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

- Level 1: The fair value of available-for-sale financial assets traded in active markets is based on the quoted market price at the close of business at the end of the reporting period.
- Level 2: The fair value of property, plant and equipment is based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.
- Level 3: There were no fair value measurements by the Level 3 fair value hierarchy.

Notes to the financial statements (continued)

Note 19. Leases

	\$	\$
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	63,367	42,245
- between 12 months and 5 years	232,346	-
- greater than 5 years	-	-
	<u>295,713</u>	<u>42,245</u>

The original rental lease agreement on the branch premises was a non-cancellable lease with a five year term commencing on 19 February 2003 and expiring on 18 February 2008. There is also the option for a further three terms of five years, the first of which was exercised and commenced on 19 February 2008, the second commenced 19 February 2013 and the most recent term commenced on 19 February 2018. The rent payable is currently \$63,367 per annum plus GST, reviewed annually and adjusted based on CPI.

Note 20. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,400	4,200
- share registry services	3,538	3,335
- non audit services	2,430	2,495
	<u>10,368</u>	<u>10,030</u>

Note 21. Director and related party disclosures

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

Lisa Kathleen Fitzgerald
 Cameron Kenneth Window
 Robert William Marshall
 Colin Raymond Woodward
 Norbert Anthony Benton
 Christopher John Crawford (*Appointed 2 May 2018*)
 Kerry May Shepherd (*Appointed 2 May 2018*)
 Andrea Maree Lewis (*Resigned 31 August 2018*)
 Wendy Patricia Handley (*Resigned 28 February 2018*)
 Anthony John Brown (*Resigned 1 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.

	2018 \$	2017 \$
Transactions with related parties:		
Cameron Kenneth Window's company acted as a broker for some of the investments purchased by Tugun & District and received 0.5% brokerage fees from these investments.	500	-

Notes to the financial statements (continued)

Note 21. Director and related party disclosures (continued)

Directors Shareholdings	2018	2017
Lisa Kathleen Fitzgerald	-	-
Cameron Kenneth Window	-	-
Robert William Marshall	5,500	5,500
Colin Raymond Woodward	1,000	1,000
Norbert Anthony Benton	-	-
Christopher John Crawford (Appointed 2 May 2018)	-	-
Kerry May Shepherd (Appointed 2 May 2018)	-	-
Andrea Maree Lewis (Resigned 31 August 2018)	-	-
Wendy Patricia Handley (Resigned 28 February 2018)	6,000	6,000
Anthony John Brown (Resigned 1 July 2017)	-	-

There was no movement in directors shareholdings during the year.

Note 22. Dividends provided for or paid

	2018 \$	2017 \$
a. Dividends paid during the year		
Current year dividend		
100% (2017: 100%) franked dividend - 7 cents (2017: 7 cents) per share	<u>42,000</u>	<u>42,000</u>

The tax rate at which dividends have been franked is 27.5% (2017: 27.5%).

b. Franking account balance

Franking credits available for subsequent reporting periods are:

- franking account balance as at the end of the financial year	91,073	69,543
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	(2,676)	8,781
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-

Franking credits available for future financial reporting periods:

- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	<u>88,397</u>	<u>78,324</u>

Note 23. Key management personnel disclosures

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

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

Notes to the financial statements (continued)

Note 24. Earnings per share	2018	2017
	\$	\$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	63,968	107,443
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	600,000	600,000

Note 25. Events occurring after the reporting date

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

Note 26. 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 27. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Tugun, Queensland 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
4C Financial Group Pty Ltd
Unit 1/36 Machinery Drive
Tweed Heads South NSW 2486

Principal Place of Business
Shop 1 to 3
482 Golden Four Drive
Tugun QLD 4224

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	182,676	237,945	254,126	252,172	-	-	-	-	-	171	1.75	1.82
Receivables	-	-	-	-	-	-	-	-	41,371	43,503	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	5,968	462	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%	4,368	4,901
Decrease in interest rate by 1%	(4,368)	(4,901)
Change in equity		
Increase in interest rate by 1%	4,368	4,901
Decrease in interest rate by 1%	(4,368)	(4,901)

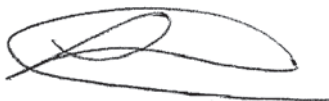
Directors' declaration

In accordance with a resolution of the directors of Tugun & District Finances 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.



Lisa Kathleen Fitzgerald,
Co-Chair

Signed on the 25th 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 Tugun & District Finances Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Tugun & District Finances 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

Tugun & District Finances 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.

Taxation | Audit | Business Services

Liability limited by a scheme approved under Professional Standards Legislation. ABN 51 061 795 337

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: 25 September 2018



David Hutchings
Lead Auditor

Tugun **Community Bank**[®] Branch
Shop 1-3, 482 Golden Four Drive, Tugun QLD 4224
Phone: (07) 5559 5700 Fax: (07) 5534 7057

Franchisee: Tugun & District Finances Limited
Shop 1-3, 482 Golden Four Drive, Tugun QLD 4224
Phone: (07) 5559 5700 Fax: (07) 5534 7057
ABN: 57 102 056 306

www.bendigobank.com.au/tugun
www.facebook.com/TugunCommunityBankBranch

(BNPAR18007) (10/18)



bendigobank.com.au

