2018 **Annual Report**

Tumby Bay District Financial Services Limited

ABN 99 145 161 093

Tumby Bay District **Community Bank**® Branch

Cleve Agency

Contents

Chair's report

For year ending 30 June 2018

This report covers the seventh year of operation for Tumby Bay District Financial Services Limited and my second term as Chairperson of our community owned **Community Bank**® branch.

On behalf of the Board of Directors, I commend my Chairperson's report to the shareholders.

From the financial reports you will see the growth of our business for Tumby Bay and district from 30 June 2017 to 30 June 2018 is $2.21 million for a total business held as of that date of $46.48 million and decrease in growth at Cleve Agency being $1.32 million and total business held of $12.76 million for the same period.

Our Bank has not yet reached a surplus and as such, will not be in a position this year, to pay a dividend.

The strategic plan forecast for your Bank to reach breakeven is $79 million and at this point I would like to thank our Board, Treasurer, Manager and staff for their dedication to duties as we head towards that goal.

Part of our strategic plan is to look at the Cowell area with a **Community Bank**® Agency. The Manager and Directors have done a street walk at Cowell, commissioned a survey of Cowell residents, arranged a steering committee meeting and selected a date for a community meeting. The survey was positive and we are moving forward with this. As part of the strategic plan we adjusted open days and staff hours at Tumby Bay District **Community Bank**® Branch to reduce costs.

We have worked and will continue to seek avenues to work with key stakeholders in: the local Councils, the Progress Associations, Lions Club and of course your **Community Bank**® branch. To jointly make our community a better place.

On behalf of the shareholders we need to and have focussed on two major areas that we can influence and they are:

1. Increase business growth; and
2. Reduce costs and control expenditure.

We lost four valuable members of the Board at last year's Annual General Meeting in Julie Elliott, Helen Ware, Stephen Hibbit and Paul Stoddard. In March the Company Secretary Janet Shepherd gave notice of retirement as did Phil Hoskin, a Director, in June, due to family and business reasons. I would acknowledge and thank them for their efforts to support the **Community Bank**® model in our district. I wish to thank the Cleve Agency committee led by Lyndon Crosby, for their dedication to expanding the **Community Bank**® model. Thanks also to our dedicated cleaners.

So to rebuild. Rebuild we did. With tireless work we have Geoff Hales, Pascale Szypowski, Cyril Hier, Jo-Anne Powell join our Board and another in the wings to join.

Bendigo and Adelaide Bank Limited have now appointed a Business Banker to Eyre Peninsula in Darren Goodwin and we look forward to working with him.

As you are no doubt aware no Director receives any payment for duties performed for you the shareholders. But they do however receive a reward. That reward is the satisfaction that what they do, gives back to our and your community and invigorates it with funds granted to education, sporting bodies, youth, health and many other organisations all of which are local. $13,440 has been given out in the Tumby Bay district and $10,043 in the Cleve district in the 2017/18 financial year.

We acknowledge and thank the Bendigo and Adelaide Bank Limited for the ongoing support with carryon funds and apportioned income under the franchise agreement that allows your bank to invest into our community.

I ask the question: Do you support the local community by doing nothing more than doing business with the **Community Bank**® branch. If not, why not?

We are moving forward and onward to better things with the **Community Bank**® model and the Board trusts you are coming on the journey with us.

Wayne Branson
Chair

Director history

Inaugural Directors		**Previous Directors**
Kevin Cook	Chairman	Tania Harris
Wayne Branson	Deputy Chairman	Sally Richardson
Julie Elliott	Company Secretary	Damian Modra
Ned Roberts	Treasurer	Nerissa Schuster
Emma Pedler		Janet Shepherd
Donald Bawden		Grantley Telfer
Ian Fulton		Helen Ware
Robert Heath		Paul Stoddard
Hartley Modra		Stephen Hibbit
Malvern Telfer		Phil Hoskin

Manager’s report

For year ending 30 June 2018

The 2017/18 financial year has been a challenging year for the finance industry, and fast moving through significant changes in regulations and processes. Official interest rates have remained at 1.50% since 3 August 2016. Whilst lending rates are low, the regulations for home lending have tightened which I anticipate may slow the housing market to some extent and slow property value growth. The change of regulations to a more risk adverse lending environment has been highlighted through the Royal Commission which effects the whole industry not just the banks identified through the investigations. More locally, the market has slowed through uncertainty in the agricultural industry particularly in the second half of the year where we have repaid farm management deposit accounts and seen a reluctance to increase borrowings.

In a competitive market Bendigo Bank has proudly continued to maintain a position with Australians as a most trusted brand over five surveys. We held third position and were the only financial institution within the top 10.

Our **Be the change** movement has demonstrated our point of difference. Our purpose at Bendigo Bank is “As a bank we are good with money. But it’s bigger than that. We are more interested in the good that money can do.”

You would have sighted the signage throughout our district identifying where we have supported clubs and organisations and we have a summary of recipients on the side wall of our Tumby Bay District **Community Bank**® Branch. Through our customers, we have provided approximately $110,000 to this community to date, and $200 million has been returned to communities and initiatives Australia-wide.

We are very proud to support the gymnastics classes at Ungarra with new equipment and the Ungarra Primary School with a new outside play area including a mud kitchen and water play providing the children with an interesting and safe area to learn and play.

The Senior Citizens club have a new projector which is a valuable resource for the club and community.

We were thrilled to be invited to contribute to the Pump track installed by Progress Association by financing the shades and soft fall mulch. These are examples of “the good money can do” by banking with the Tumby Bay District **Community Bank**® Branch.

Do you think we can do more? Well, yes, we can, however we need you, our shareholders to get behind us with your personal and business banking to make a difference.

We are a stand-alone company and we want to pay you, our shareholders a return on your investment. In this small township you represent a reasonable percentage of residents, so we need you to support us – support us by banking with us, support by referring business to us and support by joining our Board or committees.

Bendigo Bank is Australia’s fifth largest bank and Rural Bank is the only wholly Australian owned agri-business bank - owned by Bendigo and Adelaide Bank Limited. Chris Miller has once again provided outstanding service to our clients, with his extensive knowledge and customer focus. Tiffany Cosh, Financial Planner has recently been recognised for her service to clients. Once again, the recognition is related to customer satisfaction. Our vision is “To be Australia’s Bank of Choice” and based on our net promoter scores for customer satisfaction our vision has come to life!

Our growth over the 2017/18 financial year was 1.56% which is less than forecasted. Our balance sheet growth declined with business moving to off balance sheet loans and deposits with Rural Bank and Sandhurst Trustee. With Chris Miller now a dedicated Rural Bank Relationship Manager, and managed funds outperforming term deposits, off balance sheet business has increased by 21%.

Loans	16.908 million
Deposits	21.750 million
Other business including Sandhurst and Rural Bank	20.966 million
Total business	**59.625 million**

Overall, the Cleve Agency has had a decrease in total deposits and loans which can be attributed to one account which has affected the deposit book and the agency total by $2.5 million in July. Since July, the total has increased by $1.5 million. We thank the Cleve Agency committee who are a motivated and committed team who support and promote our agency to achieve this success.

The branch team has remained constant albeit with changes due to Anita Pedemonte taking parenting leave in October for 12 months and Karlee Dunn returning to us after extended parenting leave in February. I would like to thank Michelle Parker, Hannah Lienert, Janet Shepherd, Anita Pedemonte and Karlee Dunn for their continued passion for our business with their skills and knowledge and commitment to supporting our customers achieve their financial goals, is to be commended.

Through another financial year of challenges and change, our volunteer Board have provided many hours to our community through the governance of the Tumby Bay District **Community Bank**® Branch. Their motivation is "community". The outcome is professional banking services, employment and more than $110,000 invested into community projects. So, for this, I thank the Board.

We value our partnership with Bendigo and Adelaide Bank Limited to provide the unique **Community Bank**® model to Tumby Bay and Cleve. Our product offerings are unique, competitively prices and all with social and community values. I am proud to be involved with this organisation and our exceptional local team.

Judy Arbery
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

2017/18 Donations and sponsorships

Name of recipient	Description	$
Donations		
Cowell Area School	Dyslexia Education	450
District Council of Cleve	Christmas Pageant	500
Port Neill Business Breakfast	Community Event	220
Port Neill Primary School	Annual School sports day BBQ	150
Save A Life Cleve	Youth Education	2,400
Tumby Bay Croquet Club	Raffle Basket	30
Tumby Bay Lions Club	Christmas Pageant	40
Tumby Bay Markets	2018 Market @ Tumby	200
	Total donations paid	**3,990**
Sponsorship		
Arno Bay Sporting Bodies	Cookbook	1,000
Cleve AH&F Society	Sponsorship	668
Cleve Bowling Club	Anne Cornwell Carnival	100
Cleve Bowling Club	Annual Sponsorship	1,750
Cleve Sporting Bodies	Colour Fun Run x 2	900
Cleve Golf Club	Sponsorship	300
Cleve Lions Club	Mini Carnival	500
Eastern Eyre Football League	Sponsorship	1,000
Eastern Ranges Sporting Club	Annual Sponsorship	2,000
Eyre United Football Club	Annual Sponsorship	300
Eyre United Netball Club	Annual Sponsorship	250
Franklin Harbour Ag Bureau	Annual Inspection Day	150
Ports Football & Netball Club	Sponsorship	2,000
Port Neill Bowls Club	Annual Sponsorship	400
Port Neill Golf Club	Annual Sponsorship – Tee sponsorship	150
Port Neill Progress Association	Under the Pines Market	500
Roberts-Verran Ag Bureau	Annual Inspection Day	100
Sing Australia	New Song Books	250
Tumby Bay Bowls Club	Annual Sponsorship	500
Tumby Bay Football Club	Annual Sponsorship	300
Tumby Bay Golf Club	State Ladies Bronze Sponsorship	200
Tumby Bay Junior Cricket Association	Sponsorship of trophies	345
Tumby Bay Netball Club	Annual Sponsorship	125
Tumby Bay Progress Association	Sponsorship - sails	2,700
Tumby Bay Tennis Club	Sponsorship – shirts & nets	800
Ungarra & Districts Sports Complex	Sponsorship – new seating	2,667
Ungarra Community Cafe	Sponsorship – coffee machine	2,500
Ungarra Progress Association	Sponsorship – gymnastic equipment	1,028
	Total sponsorship paid	**23,483**
	2017/18 Grand total	**27,473**
	Total contributions since 2011	**$110,923**
Bendigo Bank Mortlock Shield	EP **Community Bank**® branches – Cummins, Port Lincoln, Tumby Bay – collaborative marketing.	15,000

If you are involved with a community organisation or sporting club,
Tumby Bay District **Community Bank**® Branch welcomes your banking.

Directors' report

For the financial year ended 30 June 2018

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

Directors

The following persons were Directors of Tumby Bay District Financial Services Limited during or since the end of the financial year up to the date of this report:

Name and position held	Qualifications	Experience and other Directorships
Wayne Branson Chairman Director since 12 July 2010	Tourism Accommodation Manager	Board member for several local clubs. Over 40 years experience in the rural industry.
Julie Elliott Director Director since 12 July 2010 Resigned 9 November 2017	Clerical Officer	Board member for several local clubs. Local Government experience. Past Company Secretary
Helen Ware Director Director since 26 November 2013 Resigned 9 November 2017	Primary Producer	Previous experience as a teacher and educational roles. Involved in several local community committees and activities.
Anne Swaffer Director Director since 12 November 2015	Retired District Nurse	Previous experience in nursing. Involved in local sports clubs and church.
Thomas Tierney Director Director since 19 January 2016	Retired Business Owner	Previous experience in banking and running own business. Involved in local sports clubs and Lions Club
Paul Stoddard Director Director since 12 November 2015 Resigned 9 November 2017	Jewellery Design & Manufacturing	Experience in managing jewellery production and running own business.
Stephen Hibbit Director Director since 31 January 2017 Resigned 9 November 2017	Fitness Instructor	Bachelor of Business (Business Administration). Former Director of BHP Credit Union.
Lyndon Crosby Director Director since 23 May 2017	Assistant Manager of Machinery dealership	Farming experience. Board member of local Hospital and Aged Care.

Directors (continued)

Name and position held	Qualifications	Experience and other Directorships
Philip Hoskin Director Appointed 9 November 2017 Resigned 24 July 2018	Pharmacist & Primary Producer	Previous experience in running own pharmacy and currently relieves in pharmacies. Manages own farm.
Geoffrey Hales Director Appointed 26 June 2018	Clerical/Pay Office Wool testing Industrial Relations	Business owner for 20 years and worked in bank agency.
Jo-Anne Powell Director Appointed 24 April 2018	Business Owner	Previous experience in retail and investment banking. Experience in corporate event management.
Cyril Hier Director Appointed 31 May 2018	Retired primary producer	Councillor for District Council LeHunte. Member of the CEP Hospital Board, CFS Fire Service and sporting clubs.
Pascale Szypowski Director Appointed 26 June 2018	Doctor of Pharmacy Pharmacist at PLHS. AICD trained Director	Previous Director/Secretary of Katherine **Community Bank**® Branch Director of Professional Board of Pharmacy Tasmania Business owner for 10 years.

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

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

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $357 (2017 loss: $14,369), which is a 102% increase as compared with the previous year.

The net liabilities of the company have decreased to $452,321 (2017: $452,678). This is largely due to the operating profit made for the year ended 30 June 2018.

Dividends

No dividends were declared or paid during the financial year.

Options

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

Significant changes in the state of affairs

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

After balance date events

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

Indemnifying officers or auditor

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

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

Corporate governance

The company has implemented various corporate governance practices, which include:

(a) The establishment of an audit committee;

(b) Director approval of operating budgets and monitoring of progress against these budgets;

(c) Ongoing Director training; and

(d) Monthly Director meetings to discuss performance and strategic plans.

Directors meetings

The number of Directors meetings held during the year was ten. Attendances by each Director during the year were as follows:

Director		Board meetings	Audit Committee meetings
Wayne Branson		8 (12)	0/0
Julie Elliott	Resigned by 9 November 2017	4 (4)	0/0
Helen Ware	Resigned by 9 November 2017	3 (4)	0/0
Anne Swaffer		10 (12)	0/0
Thomas Tierney		10 (12)	0/0
Paul Stoddard	Resigned by 9 November 2017	4 (4)	0/0
Stephen Hibbit	Resigned by 9 November 2017	3 (4)	0/0
Lyndon Crosby		5 (12)	0/0
Philip Hoskin	Resigned 24 July 2018	3 (8)	0/0
Geoffrey Hales		0 (0)	0/0
Jo-Anne Powell		2 (4)	0/0
Cyril Hier		1 (1)	0/0
Pascale Szypowski		0 (0)	0/0

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
N/A - not a member of that Committee.

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

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

Company Secretary

Janet Shepherd has been Company Secretary since 21 October 2015.

Non audit services

The Directors are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external auditor's:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the auditor, and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

The lead auditor's independence declaration under s307C of the *Corporations Act 2001* for the year ended 30 June 2018 is included within the financial statements.

Signed in accordance with a resolution of the Board of Directors at Tumby Bay on 25 September 2018.

Wayne Branson
Director

Auditor's independence declaration

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Tumby Bay District Financial Services Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief there have been no contraventions of:

a. The auditor independence requirements of the *Corporations Act 2001* in relation to the audit, and

b. Any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

Adelaide, South Australia

Date: 25 September 2018

DAVID WALL

Partner

Financial statements

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

	Notes	2018 $	2017 $
Revenue	2	491,710	452,273
Employee benefits expense	3	(270,633)	(248,217)
Depreciation and amortisation expense	3	(33,792)	(33,967)
Finance costs	3	-	(1,749)
Other expenses		(177,801)	(173,378)
Operating profit/(loss) before charitable donations & sponsorships		9,484	(5,038)
Charitable donations and sponsorships		(9,127)	(9,331)
Profit/(Loss) before income tax		**357**	**(14,369)**
Tax (expense) / benefit	4	-	-
Profit/(Loss) for the year		**357**	**(14,369)**
Other comprehensive income		-	-
Total comprehensive profit (loss) for the year attributable to members		**357**	**(14,369)**

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2018

	Notes	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	6	8,186	4,168
Trade and other receivables	7	35,417	37,908
Other current assets	8	6,306	6,475
Total current assets		**49,909**	**48,551**
Non-current assets			
Property, plant and equipment	9	55,918	75,259
Intangible assets	10	37,261	50,817
Total non-current assets		**93,179**	**126,076**
Total assets		**143,088**	**174,627**
Liabilities			
Current liabilities			
Trade and other payables	11	17,234	15,015
Borrowings - bank overdraft	6	506,193	549,857
Short term financial liabilities	12	14,912	14,912
Provisions	13	38,911	17,697
Total current liabilities		**577,250**	**597,481**
Non current liabilities			
Long term financial liabilities	12	14,912	29,824
Provisions	13	3,247	-
Total non current liabilities		**18,159**	**29,824**
Total liabilities		**595,409**	**627,305**
Net assets		**(452,321)**	**(452,678)**
Equity			
Issued capital	14	863,359	863,359
Accumulated losses	15	(1,315,680)	(1,316,037)
Total equity		**(452,321)**	**(452,678)**

The accompanying notes form part of these financial statements.

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

	Notes	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2016		863,359	(1,301,668)	(438,309)
Loss for the year		-	(14,369)	(14,369)
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**(14,369)**	**(14,369)**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	22	-	-	-
Balance at 30 June 2017		**863,359**	**(1,316,037)**	**(452,678)**
Balance at 1 July 2017		863,359	(1,316,037)	(452,678)
Profit for the year		-	357	357
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**357**	**357**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	22	-	-	-
Balance at 30 June 2018		**863,359**	**(1,315,680)**	**(452,321)**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		492,452	435,474
Payments to suppliers and employees		(428,963)	(433,183)
Interest paid		-	(1,749)
Interest received		-	20
Net cash provided by/(used in) operating activities	**16**	**63,489**	**562**
Cash flows from investing activities			
Purchase of property, plant & equipment		(895)	-
Purchase of intangible assets		-	-
Net cash flows from/(used in) investing activities		**(895)**	**-**
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		(14,912)	(14,912)
Net cash provided by/(used in) financing activities		**(14,912)**	**(14,912)**
Net increase/(decrease) in cash held		**47,682**	**(14,350)**
Cash and cash equivalents at beginning of financial year		(545,689)	(531,339)
Cash and cash equivalents at end of financial year	**6**	**(498,007)**	**(545,689)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2018

These financial statements and notes represent those of Tumby Bay District Financial Services Limited.

Tumby Bay District Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on the 25 September 2018.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

<u>Economic Dependency</u>

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branches.

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

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

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 Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

Note 1. Summary of significant accounting policies (continued)

(b) Income tax

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

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

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

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

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

(c) Fair value of assets and liabilities

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

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

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

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

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

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

<u>Plant and equipment</u>

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

Note 1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of asset	Depreciation rate
Fit out costs	10%
Plant & Equipment	20%

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

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

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

(e) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset - but not the legal ownership - are transferred to the company, are classified as finance leases.

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

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

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

Note 1. Summary of significant accounting policies (continued)

(f) Impairment of assets

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

(g) Goods and services tax (GST)

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

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

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

(h) Employee benefits

Short-term employee benefits

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

The company's obligation for short-term employee benefits such as wages and salaries are recognised as part of current trade and other payables in the statement of financial position. The company's obligation for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

Note 1. Summary of significant accounting policies (continued)

(i) Intangible assets and franchise fees

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

(j) Cash and cash equivalents

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

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.

(k) Revenue and other income

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

Interest, dividend and fee revenue is recognised when earned.

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

(l) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

(m) Trade and other payables

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

(n) New and amended accounting policies adopted by the company

There are no new and amended accounting policies that have been adopted by the company this financial year.

(o) New accounting standards for application in future periods

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

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

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

    This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Note 1. Summary of significant accounting policies (continued)

(o) New accounting standards for application in future periods (continued)

The key changes that may affect the company on initial application include certain simplifications to the classification of financial assets.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

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

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

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

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

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

Although the Directors anticipate that the adoption of AASB 15 may have an impact on the company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

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

AASB 16:

- replaces AASB 117 Leases and some lease related transactions;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset items;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

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

(p) Loans and borrowings

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

Note 1. Summary of significant accounting policies (continued)

(q) Provisions

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

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

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.

(r) Share capital

Issued and paid up capital is 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.

(s) Comparative figures

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

(t) Critical accounting estimates and judgements

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

<u>Estimation of useful lives of assets</u>

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

<u>Employee benefits provision</u>

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

<u>Income tax</u>

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

<u>Impairment</u>

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

Note 1. Summary of significant accounting policies (continued)

(u) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

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

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

(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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

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

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

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

Note 1. Summary of significant accounting policies (continued)

(u) Financial instruments (continued)

Impairment (continued)

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

Derecognition

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

(v) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the company incurred a profit of $357 and had net cash inflows from operating activities of $63,489, net cash outflows from investing activities of $895, and net cash outflows from financing activities of $14,912 for the year ended 30 June 2018. As at that date, the company had net current liabilities of $527,341 and net liabilities of $452,321.

The Directors believe that it is reasonably foreseeable that the company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

1. The company recognises that losses will be incurred during the start up phase of the business and while market access is being developed;
2. The business activities are supported by Bendigo and Adelaide Bank Limited, including assistance with the preparation and review of the company's annual cash flow budgets;
3. Bendigo and Adelaide Bank Limited has confirmed that it currently provides working capital by way of an overdraft facility with a limit of $650,000 (refer Note 16(b)); and
4. The provision of additional funding by Bendigo and Adelaide Bank Limited is dependent upon the company fulfilling its ongoing responsibilities under the Franchise Agreement and continuing to work closely with Bendigo and Adelaide Bank Limited management to further develop the business. The company believes that it is fulfilling these responsibilities.

	2018 $	2017 $

Note 2. Revenue and other income

	2018 $	2017 $
Revenue		
- Franchise margin income	358,426	327,418
	358,426	**327,418**
Other revenue		
- interest received	52	20
- salary contribution - Bendigo and Adelaide Bank Limited	103,947	104,025
- other revenue	29,285	20,810
	133,284	**124,855**
Total Revenue	**491,710**	**452,273**

Note 3. Expenses

	2018 $	2017 $
Employee benefits expense		
- wages and salaries	217,660	218,750
- superannuation costs	19,367	19,755
- other costs	33,606	9,712
	270,633	**248,217**
Depreciation of non-current assets:		
- plant and equipment	20,236	20,411
Amortisation of non-current assets:		
- intangible assets	13,556	13,556
	33,792	**33,967**
Finance Costs:		
- Interest paid	-	1,749

Note 4. Tax expense

	2018 $	2017 $
a. The components of tax benefit comprise		
Current tax	-	-
Deferred tax	-	-
	-	**-**

	2018 $	2017 $

Note 4. Tax expense (continued)

b. The prima facie tax on profit (loss) before income tax is reconciled to the income tax as follows:

	2018 $	2017 $
Prima facie tax on profit/(loss) before income tax at 27.5% (2017: 27.5%)	98	(3,951)
Add / (less) tax effect of:		
- Deductible depreciation and amortisation	3,727	3,727
- Other allowable items	6,755	(857)
- Deferred tax asset not brought to account	(10,580)	1,081
Income tax attributable to the company	**-**	**-**
Deferred tax assets		
Deferred tax assets arising from tax losses and deductible temporary differences have not been recognised at reporting date as realisation of the benefit is not regarded as probable.	**666,983**	**705,456**

Note 5. Auditors' remuneration

	2018 $	2017 $
Remuneration of the auditor for:		
- Audit or review of the financial report	5,250	5,150
- other services	6,630	6,370
	11,880	**11,520**

Note 6. Cash and cash equivalents

	2018 $	2017 $
Cash at bank and in hand	**8,186**	**4,168**
Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
As per the statement of financial position	8,186	4,168
(Less) bank overdraft	(506,193)	(549,857)
As per the statement of cash flows	**(498,007)**	**(545,689)**

Note 7. Trade and other receivables

	2018 $	2017 $
Current		
Trade receivables	35,417	37,908
	35,417	**37,908**

Note 7. Trade and other receivables (continued)

Credit risk

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

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

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

	Gross amount $	Past due and impaired $	Past due but not impaired			Not past due $
			< 30 days $	31-60 days $	> 60 days $	
2018						
Trade receivables	35,417	-	-	-	-	35,417
GST Receivable	-					-
Total	**35,417**	**-**	**-**	**-**	**-**	**35,417**
2017						
Trade receivables	37,908	-	-	-	-	37,908
GST Receivable	-					-
Total	**37,908**	**-**	**-**	**-**	**-**	**37,908**

	2018 $	2017 $

Note 8. Other assets

Current		
Prepayments	6,306	6,475
	6,306	**6,475**

Note 9. Property, plant and equipment

Leasehold improvements		
At cost	196,060	196,060
Less accumulated depreciation	(142,065)	(122,458)
	53,995	**73,602**

	2018 $	2017 $

Note 9. Property, plant and equipment (continued)

	2018 $	2017 $
Plant and equipment		
At cost	16,248	15,353
Less accumulated depreciation	(14,325)	(13,696)
	1,923	**1,657**
Total written down amount	**55,918**	**75,259**
Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the reporting period	73,602	93,209
Additions	-	-
Depreciation expense	(19,607)	(19,607)
Balance at the end of the reporting period	**53,995**	**73,602**
Plant and equipment		
Balance at the beginning of the reporting period	1,657	2,461
Additions	895	-
Depreciation expense	(629)	(804)
Balance at the end of the reporting period	**1,923**	**1,657**

Note 10. Intangible assets

	2018 $	2017 $
Franchise fee		
At cost	67,781	67,781
Less accumulated amortisation	(30,520)	(16,964)
Total Intangible assets	**37,261**	**50,817**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	50,817	64,373
Additions	-	-
Amortisation expense	(13,556)	(13,556)
Balance at the end of the reporting period	**37,261**	**50,817**

Pursuant to a five year franchise agreement with Bendigo and Adelaide Bank Limited, the company operates a branch of Bendigo and Adelaide Bank Limited, providing a core range of banking products and services.

	2018 $	2017 $

Note 11. Trade and other payables

	2018 $	2017 $
Current		
Unsecured liabilities:		
Trade creditors	2,086	1,162
GST payable	5,912	5,101
Other creditors and accruals	9,236	8,752
	17,234	**15,015**

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

Note 12. Financial liabilities

	2018 $	2017 $
Current		
Unsecured liabilities		
Loans	14,912	14,912
	14,912	**14,912**
Non-current		
Unsecured liabilities		
Loans	14,912	29,824
	14,912	**29,824**

Note 13. Provisions

	2018 $	2017 $
Current		
Employee benefits	**38,911**	**17,697**
Non-current		
Employee benefits	**3,247**	**-**
Number of employees at year end	6	5
Movement in employee benefits		
Opening balance	17,697	16,798
Additional provisions recognised	34,161	15,379
Amounts utilised during the year	(9,700)	(14,480)
Closing balance	**42,158**	**17,697**

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

	2018 $	2017 $

Note 14. Share capital

	2018 $	2017 $
863,359 Ordinary Shares fully paid	863,359	863,359
Less: Equity raising costs	-	-
	863,359	**863,359**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	863,359	863,359
Shares issued during the year	-	-
At the end of the reporting period	**863,359**	**863,359**

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

Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

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

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

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

	2018 $	2017 $

Note 15. Accumulated losses

	2018 $	2017 $
Balance at the beginning of the reporting period	(1,316,037)	(1,301,668)
Profit / (loss) after income tax	357	(14,369)
Dividends payable	-	-
Balance at the end of the reporting period	**(1,315,680)**	**(1,316,037)**

Note 16. Statement of cash flows

(a) Reconciliation of cash flow from operations with profit/(loss) after income tax

	2018 $	2017 $
Profit/(Loss) after income tax	357	(14,369)
Non cash flows in profit/(loss)		
- Depreciation	20,236	20,411
- Amortisation of franchise fee	13,556	13,556
Changes in assets and liabilities		
- (Increase) decrease in receivables / other assets	2,660	(16,044)
- (Increase) decrease in deferred tax asset	-	-
- Increase (decrease) in payables	2,220	(3,892)
- Increase (decrease) in provisions	24,460	900
- Increase (decrease) in deferred tax liability	-	-
Net cash flows from/(used in) operating activities	**63,489**	**562**

(b) Credit standby arrangement and loan facilities

The company has put in place a bank overdraft facility amounting to $650,000 (2017:$650,000) to assist with working capital requirements.

The overdraft facility is secured by a general security deed over all present and after acquired property granted by the company.

At 30 June 2018, $506,193 of this facility was used (2017:$549,857). No interest expense applies to this overdraft facility as this has been waived by Bendigo Bank.

Note 17. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel

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

Note 17. Related party transactions (continued)

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

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

(d) Key management personnel shareholdings

The number of ordinary shares in Tumby Bay District Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2018	2017
Wayne Branson	11,301	11,301
Julie Elliott	2,051	2,051
Helen Ware	3,000	3,000
Anne Swaffer	5,000	5,000
Thomas Tierney	5,000	5,000
Paul Stoddard	-	-
Stephen Hibbit	-	-
Lyndon Crosby	-	-
Philip Hoskin	10,000	-
Geoffrey Hales	5,000	-
Jo-Anne Powell	-	-
Cyril Hier	5,000	5,000
Pascale Szypowski	-	-

Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions

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

Note 18. Subsequent events

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

Note 19. Contingent liabilities and contingent assets

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

Note 20. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Tumby Bay, South Australia. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2014: 100%).

Note 21 Company details

The registered office & principle place of business is:

7 North Terrace,
Tumby Bay SA 5605

Note 22. Dividends paid or provided for on ordinary shares

Dividends paid during the year

No dividends were paid or proposed by the company during the period.

Note 23. Financial risk management

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

	Note	2018 $	2017 $
Financial assets			
Cash & cash equivalents	6	8,186	4,168
Trade and other receivables	7	35,417	37,908
Total financial assets		**43,603**	**42,076**
Financial liabilities			
Trade and other payables	11	17,234	15,015
Borrowings	12	29,824	44,736
Bank overdraft	6	506,193	549,857
Total financial liabilities		**553,251**	**609,608**

Financial risk management policies

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

Note 23. Financial risk management (continued)

Specific financial risk exposure and management

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

(a) credit risk

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

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

Credit risk exposures

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

The company has no significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

None of the assets of the company are past due (2016: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

	2018 $	2017 $
Cash and cash equivalents:		
A rated	**8,186**	**4,168**

(b) Liquidity risk

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

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

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

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

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis:

30 June 2018	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial Liabilities due for payment					
Trade and other payables	11	17,234	17,234	-	-
Loans and borrowings	12	-			-
Bank overdraft	6	506,193	506,193	-	-
Total expected outflows		**523,427**	**523,427**	**-**	**-**
Financial Assets - cash flows realisable					
Cash & cash equivalents	6	8,186	8,186	-	-
Trade and other receivables	7	35,417	35,417	-	-
Total anticipated inflows		**43,603**	**43,603**	**-**	**-**
Net (Outflow)/Inflow on financial instruments		**(479,824)**	**(479,824)**	**-**	**-**

30 June 2017	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial Liabilities due for payment					
Trade and other payables	11	15,015	15,015	-	-
Loans and borrowings	12	44,736	14,912	29,824	-
Bank overdraft		549,857	549,857	-	-
Total expected outflows		**609,608**	**579,784**	**29,824**	**-**
Financial Assets - cash flows realisable					
Cash & cash equivalents	6	4,168	4,168	-	-
Trade and other receivables	7	37,908	37,908	-	-
Total anticipated inflows		**42,076**	**42,076**	**-**	**-**
Net (Outflow)/Inflow on financial instruments		**(567,532)**	**(537,708)**	**(29,824)**	**-**

Note 23. Financial risk management (continued)

(c) Market risk

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

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

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

Sensitivity analysis

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

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

	Profit $	Equity $
Year ended 30 June 2018		
+/- 1% in interest rates (interest income)	82	82
+/- 1% in interest rates (interest expense)	(5,360)	(5,360)
	(5,278)	**(5,278)**
Year ended 30 June 2017		
+/- 1% in interest rates (interest income)	42	42
+/- 1% in interest rates (interest expense)	(5,946)	(5,946)
	(5,904)	**(5,904)**

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

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

Fair value estimation

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company.

Note 23. Financial risk management (continued)

(d) Price risk (continued)

Fair values (continued)

	Note	2018 Carrying amount $	2018 Fair value $	2017 Carrying amount $	2017 Fair Value $
Financial assets					
Cash and cash equivalents (i)	6	(498,007)	(498,007)	(545,689)	(545,689)
Trade and other receivables (i)	7	35,417	35,417	37,908	37,908
Total financial assets		**(462,590)**	**(462,590)**	**(507,781)**	**(507,781)**
Financial Liabilities					
Trade and other payables (i)	11	17,234	17,234	15,015	15,015
Loans and borrowings	12	29,824	29,824	44,736	44,736
Total financial liabilities		**47,058**	**47,058**	**59,751**	**59,751**

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

Directors' declaration

The Directors of the company declare that:

1 the accompanying financial statements and notes are in accordance with the *Corporations Act 2001* and:

   (a) comply with Australian Accounting Standards, and

   (b) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the company;

2 the financial statements and notes thereto comply with International Financial Reporting Standards, as disclosed in Note 1; and

3 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Wayne Branson
Director

Dated this 25th day of September 2018

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INDEPENDENT AUDITOR'S REPORT
To the Members of Tumby Bay District Financial Services Limited

Opinion

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

In our opinion, the accompanying financial report of the Company is in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(ii) Complying with Australian Accounting Standards to the extent described in Note 1, and the Corporations Regulations 2001.

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

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

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

Basis of accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the Corporations Act 2001 and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

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/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

David Wall.

D J WALL

RSM

RSM Australia Partners

Adelaide, South Australia
Date: 27 September 2018

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Phone: (08) 8688 2046
Email: tumbybaymailbox@bendigoadelaide.com.au

Cleve Agency
Cleve Pharmacy, 31 Main Street, Cleve SA 5640
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