2018
Annual Report

Warrandyte Community Financial Services Limited

ABN 70 102 635 147

Warrandyte **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2018

During the past financial year we faced some challenges as we progressed our move to the new profit sharing model introduced by our franchise partner, Bendigo and Adelaide Bank Limited. Challenges aside, I am pleased to advise that this year we are again able to pay a dividend of 12 cents per share fully franked. This continues the same rate of dividend that has been paid to shareholders for the previous six years as shown in the table below:

Financial year	Cents per share	Total distribution
2005/06	5 cents	$33,973
2006/07	6 cents	$40,917
2007/08	8 cents	$54,357
2008/09	8 cents	$54,357
2009/10	10 cents	$67,946
2010/11	12 cents	$81,535
2011/12	12 cents	$81,535
2012/13	12 cents	$81,535
2013/14	12 cents	$81,535
2014/15	12 cents	$81,535
2015/16	12 cents	$81,535
2017/18	12 cents	$81,535

Being able to sustain a dividend rate for such a period of time is testament to the strength of our community's commitment to conduct its banking with us, but, we would like to be able to better our reward to our shareholders and community. In order to better our reward we need more of the community to bring its banking to us and as you, our shareholders, are our greatest advocates, please tell everyone you know about our point of difference which is; every time a member of the community banks with us, the **Community Bank®** branch's bottom line improves which in turn increases the branch's ability to increase its community contributions and dividends.

During the 12 months to 30 June 2018 we farewelled Directors Anna Bishop and Mark Catchpoole. Anna reluctantly resigned at the end of December 2017 in order to meet the demands of her increasing PhD study work load and Mark too reluctantly resigned due to increased overseas travel commitments relating to his professional employment.

In July 2018, Claire Jones joined the Board. Claire has been an active member of the community having spent several years volunteering with a number of different community groups within the Warrandyte area. As required by the Corporations Act, Claire will stand for election at the Annual General Meeting and is looking forward to meeting with our shareholders and the community groups that attend this great evening.

Also during the financial year, we farewelled Gavin Costin, our Customer Relationship Manager who had been with the branch for 10 years. Gavin was a great advocate of the bank during his 10 years but decided to end his banking career and make a sea-change to the Bellarine Peninsula.

Finding a replacement Customer Relationship Manager took some time but I'm pleased to announce that the Warrandyte **Community Bank®** Branch will, in October, be joined by Marie Briggs in the role of Customer Relationship Manager. Marie has been working the **Community Bank®** network for 17 years and was until recently the Branch Manager at Kew and Kew East. I hope you will join me in welcoming Marie to our branch and to the wider Warrandyte community.

Chairman's report (continued)

In March this year the Warrandyte **Community Bank**® Branch celebrated serving the local community for an amazing 15 years and we held a special event to thank those in our community who undertook the hard work to establish the Warrandyte **Community Bank**® Branch. It was a terrific evening and it was great to hear how from very humble beginnings the bank has become a respected and solid member of our community.

I would like to thank shareholders, Directors and staff, past and present, for their belief in the philosophy that a bank can provide financial support to ensure a community's future prosperity. I am very proud to be able to continue the work of the Warrandyte **Community Bank**® Branch which has over the past 15 years, been able to provide funding to many of our community groups and community building projects.

Let's all continue the great work and continue to have those conversations with friends, family and our community groups to see how we can all benefit from what is an everyday activity – banking!

Aaron Farr
Chairman

Manager’s report

For year ending 30 June 2018

On 5 June 2018, Warrandyte **Community Bank**® Branch hit a very significant milestone – our 15th birthday. We celebrated our 15th birthday in March and in style in the Riverview Room at The Grand Hotel Warrandyte, with past and present staff, Board members, shareholders, customers and members of our community groups. Without a doubt, a great night was had by all in attendance. Our longevity is a testament to our **Community Bank**® model and what we stand for, and our customers’ beliefs in our **Community Bank**® branch brand.

As our business ages, our challenge now will be heavily focused on the retention of existing customers, both in the lending and deposit books. Acquisition of new customers goes without saying. The tools and financial products provided to us by the Bendigo and Adelaide Bank Limited should assist us in both these areas. Competition in the market place is strong with various lenders, brokers and online lenders, giving customers more options than ever before. Now more than ever our points of difference are very important, responsible lending, acting in your best interest and giving back to the community.

It is wonderful to see the impact your local Warrandyte **Community Bank**® Branch is having on your community. The strength of your Warrandyte **Community Bank**® Branch is built on the back of our community partnerships with the people of Warrandyte, Wonga Park, Park Orchards and surrounding areas.

This past twelve months saw the Warrandyte **Community Bank**® Branch give back approximately $400,000 in contributions to our local community groups. This means over $2.8 million has been given in community contributions since our inception in 2003.

I would like to thank the following:

- your dedicated **Community Bank**® branch staff; Adrian Yong, Linda Marshall, Phun Nin and Caleb Sutton who continue to set the highest level of service to our customer base and community groups and who work tirelessly to ensure this business impacts our community for the better. We farewelled our Customer Relationship Manager, Gavan Costin, and we thank him for his 10 years of contributions to the Warrandyte **Community Bank**® Branch and wish him all the best in his future endeavours.
- your Board of Directors and administrative staff for their ongoing leadership, support and continued commitment of their time and efforts into impacting our community.
- you, our shareholders, who continue to back this wonderful **Community Bank**® branch enterprise and without whom we would not exist.
- your partner, Bendigo and Adelaide Bank Limited, the fifth largest bank in Australia, who continue to support us as we seek to grow into the future in partnership with them and the community.
- all our community groups, local clubs and customers, for choosing us as their **Community Bank**® branch.

The continued success of our enterprise is dependant on the support of our community and to ensure this support I encourage:

- shareholders to transfer their banking to the Warrandyte **Community Bank**® Branch
- community sponsorship and grant recipients and their members to transfer their banking to the Warrandyte **Community Bank**® Branch
- existing customers, shareholders and Directors to not only bank with us but spread the word and advocate for your Warrandyte **Community Bank**® Branch. It is your support that enables us to continue to invest in the community. You are the voice and our story should be told at every opportunity to increase awareness throughout the community.

Manager's report (continued)

Banking is an everyday function for every single person in the community.

We offer a full range of lending, insurance, business and wealth creation products and services, and we welcome your call to arrange a discussion about your banking requirements, at a time and place convenient to you. We are more than comparable in the market and our service is industry leading, as well as our community focus and return which is unlike any other.

The **Community Bank**® model is simple. The more support we receive, the greater support we can return through partnering with our local community. Up to 80% of profits are invested back into our community.

On behalf of your local Warrandyte **Community Bank**® Branch I thank you all for your ongoing support and look forward to another successful year ahead.

Cheryl Meikle
Branch Manager

Directors' report

For the financial year ended 30 June 2018

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

Directors

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

Aaron Farr	
Position	Chairman
Professional qualifications	B.Com., Grad Dip LP, LL.B
Experience and expertise	Lawyer

Monica Piery	
Position	Deputy Chair
Professional qualifications	
Experience and expertise	Boards and Committee Officer, with extensive corporate governance in ASX listed companies.

Darren Ryding	
Position	Treasurer
Professional qualifications	B Bus (Accounting), FCPA
Experience and expertise	Experience in franchising, retail hospitality, automotive after-sales, manufacturing and financial services industries

Clifford Dawson	
Position	Company Secretary
Professional qualifications	B Ec, FCA
Experience and expertise	Past experience in public practice as a business advisor, tax agent and registered company auditor

John Provan	
Position	Board Member
Professional qualifications	Registered Builder Practitioner
Experience and expertise	Experience in commercial and domestic construction

Lance Ward	
Position	Board Member
Professional qualifications	LL.B (Hons), Grad Dip Marketing
Experience and expertise	General Management, Sales & Marketing and Operations, Strategy Development and Execution

Leasa Dyason	
Position	Board Member
Professional qualifications	LL.B (Hons), Grad Dip LP
Experience and expertise	Banking and finance litigation and corporate governance as a lawyer

Claire Jones - Apppointed 01/07/2018	
Position	Board Member
Professional qualifications	BSC Hons Mathematics and Management Sciences
Experience and expertise	Variety of roles within the ANZ Bank of a ten year period.

Anna Bishop - Resigned 16/11/2017	
Position	Board Member
Professional qualifications	B.ED, PostGrad DipEd
Experience and expertise	Teacher and training & development specialist

Mark Catchpoole - Resigned 04/06/2018	
Position	Board Member
Professional qualifications	LL.B,LL.M
Experience and expertise	Extensive knowledge and experience in governance, company secretarial and legal matters as a commercial and corporate lawyer and company secretary.

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings		Audit & Governance Committee meetings	
Director	**A**	**B**	**A**	**B**
Aaron Farr	11	10	4	3
Monica Piery	11	11	4	4
Darren Ryding	11	11	4	4
Clifford Dawson	11	11	4	4
John Provan	11	6	N/A	N/A
Lance Ward	11	11	N/A	N/A
Leasa Dyason	11	9	N/A	N/A
Anna Bishop - Resigned 16/11/2017	5	4	N/A	N/A
Mark Catchpoole - Resigned 04/06/2018	10	7	N/A	N/A

A - The number of meetings eligible to attend.

B - The number of meetings attended.

N/A - not a member of that committee.

Company Secretary

Clifford Dawson has been the Company Secretary of Warrandyte Community Financial Services Limited since November 2015. Clifford's qualifications include Bachelor of Economics and Fellow Chartered Accountant, and his past experience includes Public Practice Business Advisor, Tax Agent and Registered Company Auditor.

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $81,295 (2017 profit: $109,349), which is a 25.7% decrease as compared with the previous year.

Dividends

A fully franked dividend of 12 cents per share was declared and paid during the year in respect of the year ended 30 June 2017. Subsequent to the end of the financial year, a fully franked dividend of 12 cents per share ($81,535) was declared in respect of the year ended 30 June 2018.

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

No matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future financial years except for the company entered into a new franchise agreement effective 1st July 2018 with Bendigo Adelaide Bank Limited for an initial term of 5 years with two further 5 year options.

Likely developments

The company will continue its policy of Community Support through the provision of banking services to the community.

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

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

The company has not provided any insurance for an Auditor of the company.

Proceedings on behalf of company

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

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set at page 10 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Non-audit services

The Board of 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 3 did not compromise the external Auditor's independence for the following reasons:

- All non audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and reliance on the auditor's Independence Decleration.

Signed in accordance with a resolution of the Board of Directors at Warrandyte on 26 September 2018.

AFarr

Aaron Farr
Director

Auditor's independence declaration

41A Breen Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552

Ph: (03) 4435 3550
admin@rsdaudit.com.au
www.rsdaudit.com.au

Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors Warrandyte Community Financial Services Finances Limited

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

(i) The auditor independence requirements set out in the *Corporations Act 2001* in relation to the audit; and

(ii) Any applicable code of professional conduct in relation to the audit.

RSD Audit

Phil Delahunty
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 27 September 2018

Financial statements

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

	Note	2018 $	2017 $
Revenue	2	1,478,392	1,476,486
Expenses			
Employee benefits expense	3	(588,823)	(524,881)
Depreciation and amortisation	3	(29,564)	(30,498)
Bad and doubtful debts expense		(304)	(159)
Administration and general costs		(52,594)	(35,345)
Accounting fees		(15,014)	(37,395)
Advertising expense		(20,760)	(23,588)
Telephone and internet expenses		(8,563)	(7,969)
Professional Fees		(33,656)	(9,649)
Other expenses		(77,351)	(82,709)
Repairs and maintenance		(3,234)	(1,827)
Occupancy costs		(73,618)	(70,180)
ATM fees		(17,706)	(20,559)
MV costs		(13,058)	(9,477)
IT expenses		(37,404)	(35,907)
		(971,649)	(890,143)
Operating profit before charitable grants & sponsorship		**506,743**	**586,343**
Charitable grants and sponsorships		(392,454)	(433,553)
Profit before income tax		**114,289**	**152,790**
Income tax expense	4	(32,994)	(43,441)
Profit for the year after income tax		**81,295**	**109,349**
Other comprehensive income		-	-
Total comprehensive income for the year		**81,295**	**109,349**
Profit attributable to members of the company		81,295	109,349
Total comprehensive income attributable to members of the company		**81,295**	**109,349**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	16	11.96	16.09

These financial statements should be read in conjunction with the accompanying notes.

Statement of Financial Position
as at 30 June 2018

	Note	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	5	1,142,080	1,078,968
Trade and other receivables	6	123,633	128,353
Current tax asset	4	1,271	-
Other assets	8	1,566	2,097
Total current assets		**1,268,550**	**1,209,418**
Non-current assets			
Property, plant and equipment	9	143,983	160,245
Intangible assets	10	66,111	12,897
Deferred tax assets	4	15,461	14,811
Total non-current assets		**225,555**	**187,953**
Total assets		**1,494,105**	**1,397,371**
Liabilities			
Current liabilities			
Trade and other payables	11	131,737	21,569
Current tax liability	4	-	8,330
Provisions	12	38,953	47,598
Total current liabilities		**170,690**	**77,497**
Non-current liabilities			
Provisions	12	8,061	4,280
Total non-current liabilities		**8,061**	**4,280**
Total liabilities		**178,751**	**81,777**
Net assets		**1,315,354**	**1,315,594**
Equity			
Issued capital	13	657,286	657,286
Retained earnings	14	658,068	658,308
Total equity		**1,315,354**	**1,315,594**

These financial statements should be read in conjunction with the accompanying notes.

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

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2017		657,286	658,308	1,315,594
Comprehensive income for the year				
Profit for the year		-	81,295	81,295
		-	**81,295**	**81,295**
Transactions with owners in their capacity as owners				
Dividends paid or provided	15	-	(81,535)	(81,535)
Balance at 30 June 2018		**657,286**	**658,068**	**1,315,354**
Balance at 1 July 2016		657,286	630,494	1,287,780
Comprehensive income for the year				
Profit for the year		-	109,349	109,349
		-	**109,349**	**109,349**
Transactions with owners in their capacity as owners				
Dividends paid or provided	15	-	(81,535)	(81,535)
Balance at 30 June 2017		**657,286**	**658,308**	**1,315,594**

These financial statements should be read in conjunction with the accompanying notes.

Statement of Cash Flows
for the year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		1,598,345	1,592,244
Payments to suppliers and employees		(1,429,271)	(1,479,134)
Interest received		19,224	20,791
Income tax paid		(43,245)	(54,858)
Net cash flows provided by operating activities	17b	**145,053**	**79,043**
Cash flows from investing activities			
Purchase of plant and equipment		(406)	(25,188)
Net cash flows used in investing activities		**(406)**	**(25,188)**
Cash flows from financing activities			
Dividends paid		(81,535)	(81,535)
Net cash flows used in financing activities		**(81,535)**	**(81,535)**
Net increase/(decrease) in cash held		**63,112**	**(27,680)**
Cash and cash equivalents at beginning of financial year		1,078,968	1,106,648
Cash and cash equivalents at end of financial year	17a	**1,142,080**	**1,078,968**

These financial statements should be read in conjunction with the accompanying notes.

Notes to the financial statements

For year ended 30 June 2018

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

Warrandyte Community 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 27 September 2018.

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.

Economic dependency

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

The branch operate as a franchise of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank”, the logo, and systems of operation of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** 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.

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.

1. Summary of significant accounting policies (continued)

(b) 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.

(c) 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.

(d) Comparative figures

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

(e) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

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

Fair value assessment of non-current physical assets

The AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

1. Summary of significant accounting policies (continued)

(e) Critical accounting estimates and judgements (continued)

Employee benefits provision

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

Income tax

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

Impairment

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

(f) New and revised standards that are effective for these financial statements

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 July 2017. Information on the more standard(s) applicable to this entity are presented below.

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses

AASB 2016-1 amends AASB 112 Income Taxes to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. AASB 2016-1 is applicable to annual reporting periods beginning on or after 1 January 2017.

(g) New accounting standards for application in future periods

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

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

1. Summary of significant accounting policies (continued)

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

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

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

a) Financial assets that are debt instruments will be classified based on:
  (i) the objective of the entity's business model for managing the financial assets; and
  (ii) the characteristics of the contractual cash flows.

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
- the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:
- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

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

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

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

1. Summary of significant accounting policies (continued)

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

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

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

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.

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

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

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- 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.

2. Revenue

	2018 $	2017 $
Revenue		
- service commissions	1,458,954	1,456,215
	1,458,954	1,456,215
Other revenue		
- interest received	19,208	20,196
- other revenue	230	75
	19,438	20,271
Total revenue	**1,478,392**	**1,476,486**

Revenue arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The entity applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction.

Rendering of services
The entity generates service commissions on a range of products issued by the Bendigo and Adelaide Bank Limited. The revenue includes upfront and trailing commissions, sales fees and margin fees.

Interest and other income
Interest income is recognised on an accrual basis using the effective interest rate method.

Other revenue is recognised when the right to the income has been established.

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

3. Expenses

	2018 $	2017 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	531,577	468,167
- superannuation costs	46,805	42,126
- other costs	10,441	14,588
	588,823	524,881
Depreciation and amortisation		
Depreciation		
- leasehold improvements	5,985	7,198
- plant and equipment	4,606	6,210
- motor vehicles	6,076	3,246
	16,667	16,654
Amortisation		
- franchise fees	2,151	2,307
- renewal process fees	10,746	11,537
	12,897	13,844
Total depreciation and amortisation	29,564	30,498

3. Expenses (continued)

	2018 $	2017 $
Bad and doubtful debts expenses	304	159
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	7,140	5,800
- Accounting services	10,000	2,500
	17,140	8,300

Operating expenses

Operating expenses are recognised in profit or loss on an accurals basis, which is typically upon utilisation of the service or at the date upon which the entity becomes liable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Depreciation

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

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

Class of asset	*Rate*	*Method*
Leasehold improvements	2.5%-40%	Straight line & Diminishing value
Plant and equipment	5%-50%	Straight line & Diminishing value
Motor vehicles	13%	Straight line

4. Income tax

	2018 $	2017 $
a. The components of tax expense comprise:		
Current tax expense	33,644	43,819
Deferred tax expense	(676)	(378)
Under / (over) provision of prior years	26	-
	32,994	**43,441**
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2017: 27.5%)	31,429	42,017
Add tax effect of:		
- Non-deductible expenses	1,565	917
- Changes in company tax rates	-	507
Income tax attributable to the entity	**32,994**	**43,441**
The applicable weighted average effective tax rate is:	28.87%	28.43%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	8,330	19,369
Income tax paid	(43,245)	(54,858)
Current tax	33,644	43,819
	(1,271)	**8,330**
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Accruals	3,502	1,519
Employee provisions	12,929	14,266
	16,431	**15,785**
Deferred tax liabilities comprise:		
Accrued income	970	974
	970	974
Net deferred tax asset	**15,461**	**14,811**
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(646)	(173)
(Decrease) / increase in deferred tax liabilities	(30)	(205)
Under / (over) provision prior years	26	-
	(650)	**(378)**

4. Income tax (continued)

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

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.

5. Cash and cash equivalents

	2018 $	2017 $
Cash at bank and on hand	207,301	162,996
Short-term bank deposits	934,779	915,972
	1,142,080	**1,078,968**

Cash and cash equivalents include cash on hand, deposits available on demand with banks and other short-term highly liquid investments with original maturities of three months or less.

The effective interest rate on short-term bank deposits was 1.64% (2017: 1.75%); these deposits have an average maturity of 90 days.

6. Trade and other receivables

	2018 $	2017 $
Current		
Trade receivables	120,106	124,810
Other receivables	3,527	3,543
	123,633	**128,353**

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

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

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.

6. Trade and other receivables (continued)

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	Not past due	Past due but not impaired			Past due and impaired
			< 30 days	31-60 days	> 60 days	
2018	**$**	**$**	**$**	**$**	**$**	**$**
Trade receivables	120,106	120,106	-	-	-	-
Other receivables	3,527	3,527	-	-	-	-
Total	**123,633**	**123,633**	**-**	**-**	**-**	**-**
2017						
Trade receivables	124,810	124,810	-	-	-	-
Other receivables	3,543	3,543	-	-	-	-
Total	**128,353**	**128,353**	**-**	**-**	**-**	**-**

7. Financial assets

(a) Classification of financial assets (continued)

Financial assets at fair value through profit or loss

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

Available for sale financial asset

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

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

(b) Measurement of financial assets

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

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

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.

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.*

7. Financial assets (continued)

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

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

(c) Impairment of financial assets

The entity assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(d) 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.

8. Other assets

	2018 $	2017 $
Prepayments	1,566	2,097
	1,566	**2,097**

Other assets represent items that will provide the entity with future economic benefits controlled by the entity as a result of past transactions or other past events.

9. Property, plant and equipment

	2018 $ At cost	2018 $ Accumulated depreciation	2018 $ Written down value	2017 $ At cost	2017 $ Accumulated depreciation	2017 $ Written down value
Leasehold improvements	174,547	(89,390)	85,157	174,139	(83,402)	90,737
Plant and equipment	89,079	(66,271)	22,808	89,079	(61,665)	27,414
Motor vehicles	48,604	(12,586)	36,018	48,604	(6,510)	42,094
Total Plant and equipment	**312,230**	**(168,247)**	**143,983**	**311,822**	**(151,577)**	**160,245**

Plant and equipment

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.

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.

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

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

(a) Capital expenditure commitments
The entity does not have any capital expenditure commitments at 30 June 2018 (2017: None)

9. Property, plant and equipment (continued)

(b) Movements in carrying amounts of PP&E

2018	Opening written down value	Additions	Depreciation	Closing written down value
Leasehold improvements	90,737	405	(5,985)	85,157
Plant and equipment	27,414	-	(4,606)	22,808
Motor vehicles	42,094	-	(6,076)	36,018
Total property, plant and equipment	**160,245**	**405**	**(16,667)**	**143,983**

2017	Opening written down value	Additions	Depreciation	Closing written down value
Leasehold improvements	97,935	-	(7,198)	90,737
Plant and equipment	33,624	-	(6,210)	27,414
Motor vehicles	20,152	25,188	(3,246)	42,094
Total property, plant and equipment	**151,711**	**25,188**	**(16,654)**	**160,245**

10. Intangible assets

	2018 $ At cost	2018 $ Accumulated amortisation	2018 $ Written down value	2017 $ At cost	2017 $ Accumulated amortisation	2017 $ Written down value
Franchise fees	22,555	(11,532)	11,023	11,537	(9,386)	2,151
Renewal process fee	112,777	(57,689)	55,088	57,684	(46,938)	10,746
Total intangible assets	**135,332**	**(69,221)**	**66,111**	**69,221**	**(56,324)**	**12,897**

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

Movements in carrying amounts

2018	Opening written down value	Additions	Amortisation	Closing written down value
Franchise fees	2,151	11,018	(2,151)	11,018
Renewal process fee	10,746	55,093	(10,746)	55,093
Total intangible assets	**12,897**	**66,111**	**(12,897)**	**66,111**

2017	Opening written down value	Additions	Amortisation	Closing written down value
Franchise fees	4,458	-	(2,307)	2,151
Renewal process fee	22,283	-	(11,537)	10,746
Total intangible assets	**26,741**	**-**	**(13,844)**	**12,897**

11. Trade and other payables

	2018 $	2017 $
Current		
Unsecured liabilities:		
Trade creditors	54,546	1,653
Other creditors and accruals	77,191	19,916
	131,737	**21,569**

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.

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

12. Provisions

	2018 $	2017 $
Current		
Annual Leave	24,051	22,413
Long Service Leave	14,902	25,185
Total Current Provision	38,953	47,598
Non-current		
Long Service Leave	8,061	4,280
Total Non-Current Provision	8,061	4,280
Total provisions	**47,014**	**51,878**

Short-term employee benefits

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

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

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future 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.

13. Share capital

	2018 $	2017 $
679,460 Ordinary shares fully paid	679,460	679,460
Less: Equity raising costs	(22,174)	(22,174)
	657,286	**657,286**

Ordinary shares are classified as equity.

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

(a) Movements in share capital

	2018 $	2017 $
Fully paid ordinary shares:		
At the beginning of the reporting period	679,460	679,460
At the end of the reporting period	**679,460**	**679,460**

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

(b) Capital management

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

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

(i) the Distribution Limit is the greater of:
   (a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
   (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

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

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

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

14. Retained earnings

	2018 $	2017 $
Balance at the beginning of the reporting period	658,308	630,494
Profit for the year after income tax	81,295	109,349
Dividends paid	(81,535)	(81,535)
Balance at the end of the reporting period	**658,068**	**658,308**

15. Dividends paid or provided for on ordinary shares

	2018 $	2017 $
Dividends paid or provided for during the year		
Fully franked ordinary dividend of 12 cents per share (2017: 12 cents) franked at the tax rate of 27.5% (2017: 27.5%).	81,535	81,535

16. Earnings per share

	2018 $	2017 $
Basic earnings per share (cents)	11.96	16.09
Earnings used in calculating basic earnings per share	81,295	109,349
Weighted average number of ordinary shares used in calculating basic earnings per share.	679,460	679,460

Basic earnings per share

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

17. Statement of cash flows

	2018 $	2017 $
(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:		
Cash and cash equivalents (Note 5)	1,142,080	1,078,968
As per the Statement of Cash Flow	**1,142,080**	**1,078,968**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year after income tax	81,295	109,349
Non-cash flows in profit		
- Depreciation and amortisation	29,564	30,498
- Bad debts	304	159
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	4,416	(9,073)
- (increase) / decrease in prepayments and other assets	531	4,045
- (Increase) / decrease in deferred tax asset	(649)	(378)
- Increase / (decrease) in trade and other payables	44,057	(45,391)
- Increase / (decrease) in current tax liability	(9,601)	(11,039)
- Increase / (decrease) in provisions	(4,864)	873
Net cash flows from operating activities	**145,053**	**79,043**

18. Key management personnel and related party disclosures

(a) Key management personnel

Key management personnel includes any person 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.

The totals of remuneration paid to key management personnel of the company during the year are as follows:

	2018 $	2017 $
Short-term employee benefits	12,000	12,250
Total key management personnel compensation	**12,000**	**12,250**

Short-term employee benefits
These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other key management personnel.

Post-employment benefits
These amounts are the current year's estimated cost of providing the company's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

Other long-term benefits
These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

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

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company.

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

Name of related party	Description of goods / services provided	Value $
Liz Ryding - related party of Darren Ryding	Bookkeeping services	12,012

The Warrandyte Community Financial Services has accepted the Bendigo and Adelaide Bank Limited's **Community Bank®** Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits.

The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be Nil for the year ended 30 June 2018 (2017:Nil)

(d) Key management personnel shareholdings

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

	2018	2017
Aaron Farr	-	-
Monica Piery	-	-
Darren Ryding	-	-
Clifford Dawson	-	-
John Provan	10,001	10,001
Lance Ward	-	-
Leasa Dyason	-	-
Directors (resigned during the year)		
Anna Bishop - Resigned 16/11/2017	-	-
Mark Catchpoole - Resigned 04/06/2018	-	-
	10,001	10,001

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

(e) Other key management transactions

There has been no other transactions key management or related parties other than those described above.

19. Events after the reporting period

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

20. Contingent liabilities and contingent assets

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

21. Operating segments

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

22. Commitments

Operating lease commitments

	2018 $	2017 $
Payable:		
- no later than 12 months	72,096	60,262
- between 12 months and five years	282,376	-
- greater than five years	-	-
Minimum lease payments	354,472	60,262

The new lease has an initial term length of 5 years and two 5 year option periods.

23. Company details

The registered office and principal place of business is 144 Yarra St, Warrandyte VIC 3113.

24. Financial instrument risk

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 and Governance Committee which reports regularly to the Board.

Specific financial risk exposure and management

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

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

	Note	2018 $	2017 $
Financial assets			
Cash and cash equivalents	5	1,142,080	1,078,968
Trade and other receivables	6	123,633	128,353
Total financial assets		**1,265,713**	**1,207,321**
Financial liabilities			
Trade and other payables	11	131,737	21,569
Total financial liabilities		**131,737**	**21,569**

(a) Credit risk

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

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

Credit risk exposures

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

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

24. Financial instrument risk (continued)

(a) Credit risk (continued)

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

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

(b) Liquidity risk

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

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

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.

Financial liability and financial asset maturity analysis:

30 June 2018	Weighted average interest rate	Total	Within 1 year	1 to 5 years	Over 5 years
	%	$	$	$	$
Financial assets					
Cash and cash equivalents	1.64%	1,142,080	1,142,080	-	-
Trade and other receivables		123,633	123,633	-	-
Total anticipated inflows		1,265,713	1,265,713	-	-
Financial liabilities					
Trade and other payables		131,737	131,737	-	-
Total expected outflows		131,737	131,737	-	-
Net inflow / (outflow) on financial instruments		**1,133,976**	**1,133,976**	**-**	**-**

24. Financial instrument risk (continued)

(b) Liquidity risk (continued)

30 June 2017	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1.75%	1,078,968	1,078,968	-	-
Trade and other receivables		128,353	128,353	-	-
Total anticipated inflows		1,207,321	1,207,321	-	-
Financial liabilities					
Trade and other payables		21,569	21,569	-	-
Total expected outflows		21,569	21,569	-	-
Net inflow / (outflow) on financial instruments		**1,185,752**	**1,185,752**	**-**	**-**

(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 company has no exposure to fluctuations in foreign currency, or any exposure to a material price risk.

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.

	2018		2017	
	Profit $	Equity $	Profit $	Equity $
+/- 1% in interest rates (interest income)	11,421	11,421	10,790	10,790
	11,421	11,421	10,790	10,790

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

Directors' declaration

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

1. The financial statements and notes, as set out on pages 11 to 38 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

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

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

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

Aaron Farr
Director

Signed at Warrandyte on 26 September 2018.

Independent audit report

41A Breen Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552

Ph: (03) 4435 3550
admin@rsdaudit.com.au
www.rsdaudit.com.au

AUDITOR'S REPORT
TO THE MEMBERS OF WARRANDYTE COMMUNITY FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Warrandyte Community Financial Services Limited, 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:

(a) the financial report of Warrandyte Community Financial Services Limited is in accordance with the Corporations Act 2001, including:

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

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001;* and

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the entity 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.

Director's Responsibility for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the 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 Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

rsd Audit

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 our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. On 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 material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSD Audit
Chartered Accountants

Phil Delahunty
Partner
Bendigo
Dated: 27 September 2018

Warrandyte **Community Bank**® Branch
144 Yarra Street, Warrandyte VIC 3113
Phone: (03) 9844 2233 Fax (03) 9844 2396
Email: warrandytemailbox@bendigobank.com.au

www.bendigobank.com.au/warrandyte
www.facebook.com/WarrandyteCommunityBankBranch

Franchisee: Warrandyte Community Financial Services Limited
144 Yarra Street, Warrandyte VIC 3113
Phone: (03) 9844 2233 Fax (03) 9844 2396
Email: contact@warrandytecb.com.au
ABN: 70 102 635 147

Share Registry: Richmond Sinnott & Delahunty
32 Garsed Street, Bendigo VIC 3550
Postal Address: PO Box 30, Bendigo VIC 3552
Phone: (03) 5445 4200 Fax: (03) 5444 4344
Email: shareregistry@rsdadvisors.com.au
www.rsdadvisors.com.au

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