Annual Report 2018

Stonnington Community Financial Services Limited

ABN 31 099 416 092

Windsor **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2018

The Bendigo Community Bank model is now 20 years old and Stonnington Community Financial Services (SCFS) trading as Windsor Community Bank (WCB) has been proudly serving customers and community for 16 years.

We are now one of over 300 community banks operating in Australia and part of a movement that has reinvested over $200m back into local communities.

In this time WCB's contribution in the form of partnerships with sponsors and direct grants to community groups, now exceeds $1.1m to date.

Our first responsibility is to trade profitably as a bank and meet our obligations to the customers, franchisor, and shareholders and to our wonderful staff. We then see our bank as a social enterprise achieving a "profit for purpose" and I am pleased to report that 2017-18 again generated a material profit enabling us to continue our work in the community, pay a dividend to shareholders and further build our reserves.

Our catchcry is "With you and for you".

Our Customer Promise is:

- Bank with us and we will re-invest up to 60% of our Net Profit for Purpose back into our Community!
- We provide highly competitive products & great service to Individuals and businesses

Our Community Promise is to look for opportunities to support and improve:

- Families & developing Youth
- Financial Inclusion & Literacy
- Serving a Diverse Community
- Improving Community Health
- Promoting Social Enterprise

Recent contributions to community include:

- Tertiary education scholarships (over three years) to 2 young people, easing their financial burden as they concentrate on further studies.
- Additional support of Treasure Chest, to further assist women from the Stonnington region returning to their home post breast cancer treatment.
- Funding Birth for HumanKind to ensure women, regardless of their socio-economic circumstances, have access to support, education and care during their pregnancy, birth and early parenting journey.
- Extended our on-going support of StarHealth through funding support of CTC Stonnington YouthVoice – enables young people to tell their stories and seek to influence the decisions of community leaders around policy, programs and services.
- Through the staff grant program, as nominated by staff, we further supported Lentil as Anything and Police Citizens Youth Club.
- Finally, as part of our Community "Pitch Night" we funded TRYKinder, Toy Library and Green Collect - a mix of local charities and social enterprises – as successful pitch participants on the night.

These and future community contributions come from the virtuous circle that community banks rely on and in part from business generated through our Sponsor partners.

These partners include Old Geelong Football club, South Yarra Cricket club, Melbourne High School Old Boys Football Club, Presentation College, Prahran Primary school and Melbourne Bowls Club.

The 2017-18 year has seen the consolidation of WCB staff structure with strong evidence of leadership, improved governance and compliance and an engaged team.

Our challenge remains business retention and generation to responsibly grow our base of customers as it is from this that revenue is generated which in turn funds dividends to our shareholders and our community contributions. We see much opportunity to strengthen our customer base through working with our Partners to better articulate our Purpose

Chairman's report (continued)

within each of their communities and networks.

Our volunteer board of directors has seen typical change over the last year as life and business impacts the time available for directors to support Board initiatives. The current Board is keen and well placed with fresh eyes to maintain the customer and community and staff focus we have set ourselves.

Lastly it is important to also have a focus on the longer term. We have been in our current premises now for 16 years of the original 20 year lease arrangement. The Board has been prudent in building reserves to provide alternatives in 2022 to facilitate the financial scenarios of remaining in the current location (rising retail rents, renovation) or moving to another location (high moving costs, rent or buy). The Board will continue to monitor these scenarios and strategise options to ensure our shareholders and customers are protected and well served.

I will be standing down from the role of Chairman and Director and it has been a privilege to serve the Windsor Community Bank and the Stonnington community over the last 5 years.

Leigh Powell
Chairman
Stonnington Community Financial Services

Treasurer's report

For year ending 30 June 2018

Dear Shareholders,

Stonnington Community Financial Services (SCFS) has recorded another profitable year in 2018. In today's business climate and strong competition from the majors it is no mean feat.

Our Operating Profit for year end 2018 is approximately $87,000 (before year-end adjustments and tax), ahead of budget forecast of $73,644. Our Income for the year was $15,000 short of budget, which confirms that our tight control on expenditure is imperative in these times of volatile economic conditions. On the other side our expenses were $24,000 under budget, due mainly by our employee sector being short one employee. This employee was our Mobile Relationship Manager (MRM) who left the business midway in the year. This year's result together with the strong result the previous year has enabled the business to build a cash base to enable us to further grow our business and prepare for the future. Built into our expenses this year a $50,000 contribution was made to Community Enterprise Foundation to fund our continuing Community Grants program in 2019. These strong results have enabled a further dividend this year. The Board has declared a 4 cents per share dividend fully franked.

Control of our expenses is ongoing but it is imperative that we also grow the business. This year we seek to re-employ an MRM to further source new business and grow our lending book. Our MRM will be out on the road visiting clients and not tied to a branch desk, this gives our customers the best opportunity to discuss their needs at a time that suits them, which maybe after hours.

Last year we mentioned that Bendigo Bank would be embarking on a new standard of dynamic pricing for deposit funds lodged and for loan funds required known as Funds Transfer Pricing (FTP), whilst there were many un-knowns about how this would pan out in the year, the end result was minimal to the income received through our franchise arrangement.

I am extremely proud to be a part of this team of Directors and Staff and none of the achievements mentioned above would have been possible without the team we have and the leadership provided by our Chairman Leigh Powell. As Leigh has mentioned in his report he will step down from the Board after the AGM, we thank Leigh for his commitment and passion as Chairman and wish him all the best for whatever he embarks on in the future. We also recruited some new Directors in the year, they have diverse backgrounds that will enhance and provide great opportunity moving forward.

I would also like to commend our team in the Branch for a job well done and in particular Paige Wills who has taken on the position of Branch Operations Manager. Paige has shown great leadership in bringing together an enthusiastic team in our Branch that have gone beyond the call of duty to insure that our customers receive the best banking experience possible. To all in our team I say thank you for making my job easy.

Jon Caneva
Treasurer

Secretary's report

For year ending 30 June 2018

It is always a pleasure to be able to write this report, and more so after a strong and successful year at SCFS Ltd.

I find it inspiring that ordinary people are prepared to take time out of their busy lives to volunteer for the benefit of others. In our case they are volunteering as Directors of SCFS Ltd, this not only involves attending monthly Board meetings, participating on Board sub-committees but equally importantly attending activities associated with the number of community groups and organisations we sponsor.

As with all organisations we too have changes at the Board level and this year we sadly farewelled Alice Boriboun and Cathy Seaholme, and I would like to sincerely thank both Alice and Cathy for their support of SCFS Ltd and for the contribution they made while on the Board. At the end of September we also say goodbye to Raj Gopiraj as he steps away from our Board. Raj has made a significant contribution to the Board as chair of the sponsorship committee and also as Vice Chairman of the Board during his three years and we thank him for this.

During the year we welcomed Annie Tchung, Amie Milkins and Charlotte Rendle-Short as new directors and Stephanie Exton and Ahmad Khawaja as board support officers. I know their unique skill sets will enhance the Board into the future.

With a number of new directors on the Board, resulting in a small expansion of the Board members there comes an exciting opportunity to draw on the combined skills to refocus our sub committees.

Leigh Powell is stepping down as Chairman and Director at the AGM in October. I take this opportunity to thank him for his strong leadership over his term, knowing that he leaves the company and Board with a strong and sound foundation for future growth.

Julie Scott
Secretary

Senior Customer Relationship Manager's report

For year ending 30 June 2018

In February of this year I was fortunate enough to be presented with the opportunity to lead Windsor Community Bank. Over the last 6 months I have thoroughly enjoyed connecting with our customers and the local community.

Some branch highlights in the past 12 months have been growing our lending book by $5,877,000 and protecting our customers with 68 insurances policies sold.

My dedicated team, Robert Campbell, Wafaa El Nashar, Neelima Kota & Surbhi Sharma and past staff throughout the year are the reason why our customers continue to bank with us

To our Board of directors, I appreciate the support you have given and continue to give to the Branch and Windsor Community. You are the reason why we can continue to make a positive impact in our local community.

To date we have given back over $1,100,000 to the Windsor Community, I look forward to continuing to develop and foster relationships in the greater community and see this figure grow over the next 12 months.

To our shareholders I encourage you to support your local Community Bank® branch, just by simply doing your banking with us. In the coming months we will make a concerted effort to contact all our shareholders to see how we can help you with your banking needs.

Kind regards,

Paige Wills
Senior Customer Relationship Manager

Directors' report

For year ending 30 June 2018

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

Directors

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

Leigh Powell

Appointed Chairperson in June 2016

Bachelor of Commerce

Leigh has worked in business and the mortgage and finance sectors for 42 years. He has extensive experience in strategy and product development, credit risk, operational risk, commercial contract negotiation, supplier management, dispute resolution and capital markets securitisation. Currently Leigh operates his own cobnsultancy and advisory business leveraging previous experience gained in senior roles with National Australia Bank, Genworth Financial and PMI Mortgage Insurance.

Giovanni Caneva

Appointed Treasurer in June 2017

Certificate IV Accounting, BAS Agent

Jon assists other businesses with business development, administration, book keeping and BAS preparation. He also owned and operated for 14 years the then Duke of Windsor Hotel (Lucky Coq) and was instrumental in getting the Windsor Community Bank Branch® and Windsor IGA up and running.

Julie Scott

Appointed Director in May 2017, Appointed Company Secretary in June 2017

Diploma of Catering Management, Certificate II Wine Appreciation - WSET

Julie is an experienced manager, who has developed her skills over the past thirty years in both Catering Management and Banking, including over ten years within the Bendigo Bank Community® Bank network. Her specific areas of interest are volunteering within her community and mentoring good people to be better.

Rajkumar Gopiraj

Appointed Director in June 2015

Bachelor of Science in Materials and Mathematics, Bachelor of Engineering (Hons.) in Materials

Rajkumar has been employeed at a diverse range of organisations, including AECOM Australia Pty Ltd, United Nations - UMOJA and the Australian Red Cross. During this time he has demonstarted strong project, operational, business and general business management acumen. He has a proven record of developing strategic approaches and employing tactical methods to maximize productivity.

Sue Renmead

Appointed Director in October 2016

Registered Nurse, Registered Midwife, Lactation Consultant (IBCLC), Graduate Diploma of Child and Family Health Nursing

Worked as a Maternal and Child Health nurse for Stonnington Council for 14 years. Currently working as an Enhanced MCHN, focusing on the socially disadvantaged and culturally challenged families within Stonnington.

Alice Boriboun

Appointed Director in Februrary 2017. Resigned in April 2018.

Bachelor of Economics and Business

Alice is a Director and Owner of a company called Saguity, a player in the Customer Experience space. She specialises in Customer retention, business transformation and team culture/engagement.

Directors' report (continued)

Directors (continued)

Elizabeth Weston

Appointed Director in May 2017

Master of Business Administration, Masters of Laws, Bachelor of Arts (Hons)

Elizabeth is a financial services executive and dual-qualified Australian/UK corporate lawyer, with more than 15 years experience in investment management, superannuation, regulatory compliance, corporate governance and risk matters. Member of the Australian Institute of Company Directors.

Cathy Seaholme

Appointed Director in June 2017. Resigned in February 2018.

Studied at: QUT - 1984-1986 Bachelor Business (Accountancy, not completed), and 2016 CEDEP France - L'Oreal Transition to General Management Course.

MAICD (Australian Institute of Copmany Direcors) & WOB (Women on Boards). Experienced and well respected General Manager / COO / HRD with 20+ years in Australasian and International specialty retailing across cosmetics, fashion, and consultative service models, including direct sales and property; covering Retail, E-commerce, party plan, and franchising both locally and internationally.

Charlotte Rendle-Short

Appointed May 2018

Masters of Business Administration, Med Admin, Diploma of education, Bachelor of Music, Certificate in Executive Coaching & Mentoring.

Charlotte has had more than 30 years experience in education having held senior leadership positions at school and system level. In her current work, she coaches and mentors principals and school leadership teams across all three sectors. Charlotte is also Deputy Chair on the Board of Early Childhood Management Services.

Amie Milkins

Appointed June 2018

Bachelor of Applied Science, Post Graduate Diploma in Human Nutrition, Masters in Health Science (Health Promotion).

Through working locally as a Health Promotion Officer, Amie has gained valuable insight into the strengths and challenges facing the Stonnington community. Amie's community engagement skills, project management and passion for equity ensures there is voice given to those less heard.

Annie Lay

Appointed June 2018

Bachelor of Engineering, Bachelor of Science, Masters of Engineering, Masters of Business Administration

Annie is an experienced engineer and strategist. She spent just under 10 years practicing as an electrical engineer, gaining her chartered status within her first 5 years. More recently, she has moved into a strategy & innovation role, helping clients to develop their response to the rapid rise of new digital technology. During her spare time, she is engaged with start-ups and mentoring university students or graduates.

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 Committee Meetings	
Director	**A**	**B**	**A**	**B**
Leigh Powell	10	9	3	3
Giovanni Caneva	10	8	3	3
Julie Scott	10	10	*Not a Committee Member*	*Not a Committee Member*
Raikumar Gopirai	10	7		
Sue Denmead	10	6		
Alice Boriboun	7	6		
Elizabeth Weston	10	7		
Charlotte Rendle-Short	2	2		
Amie Milkins	1	1		
Annie Lay	1	1		
Cathy Seaholme	5	2		

A - eligible to attend
B - number attended

Company Secretary

Julie Scott was appointed the Company Secretary of Stonnington Community Financial Services Limited in June 2017. Julie's qualifications include a Diploma of Catering Management and Certificate 2 in Wine Appreciation - WSET. Julie has over thirty years experience in both Catering Management and Banking, including over ten years within the Bendigo Bank Community Bank® network.

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 $67,664 (2017 profit: $147,313), which is a 54.1 % decrease as compared with the previous year.

Due to the 2017 profit, the board decided to focus on new areas to grow the business in 2018. This resulted in increased employment and sponsorship costs.

Directors' report (continued)

Dividends

The board resolved at its June 2017 meeting to pay a 4 cent dividend in September 17. The $26,000 dividend was recognised in the financial statements as being payable at 30 June 2017, but paid in October 2017. The board resolved at its June 2018 meeting to pay a 4 cent dividend in September 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.

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.

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 6 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

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

Leigh Powell
Director

Auditor's independence declaration

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

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

I declare that, to the best of my knowledge and belief, during the 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

Kathie Teasdale
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 27 September 2018

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 85 619 186 908
Liability limited by a scheme approved under Professional Standards Legislation

Financial Statements

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

	Notes	2018 $	2017 $
Revenue	2	953,356	945,643
Expenses:			
Employee benefits expense	3	(401,603)	(344,671)
Depreciation and amortisation	3	(31,424)	(24,786)
Finance costs	3	(1,103)	(213)
Bad and doubtful debts expense	3	(1,258)	(506)
Administration and general costs		(58,425)	(53,672)
Occupancy expenses		(113,319)	(110,597)
IT expenses		(44,819)	(44,684)
Loss on disposal of non-current assets	3	-	(21)
ATM expenses		(23,213)	(31,485)
Repairs & maintenance		(17,928)	(4,568)
Other expenses		(100,323)	(62,438)
		(793,415)	(677,641)
Operating profit before charitable donations & sponsorship		**159,941**	**268,002**
Charitable donations and sponsorships		(66,079)	(64,811)
Profit before income tax		**93,862**	**203,191**
Income tax expense	4	(26,198)	(55,878)
Profit for the year after income tax		**67,664**	**147,313**
Other comprehensive income		-	-
Total comprehensive income for the year		**67 664**	**147 313**
Profit attributable to members of the company		67,664	147,313
Total comprehensive income attributable to members of the company		**67 664**	**147 313**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
Basic earnings per share	17	10.46	22.77

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

Financial statements (continued)

Balance Sheet
as at 30 June 2018

	Notes	2018 $	2017 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	189,810	206,952
Trade and other receivables	6	70,918	63,265
Financial assets	7	200,000	200,000
Current tax asset	4	20,921	-
Other assets	8	2,570	-
Total Current Assets		**484,219**	**470,217**
Non-Current Assets			
Property, plant and equipment	9	57,915	75,595
Intangible assets	10	47,747	4,473
Deferred tax asset	4	-	3,343
Total Non-Current Assets		**105,662**	**83,411**
Total Assets		**589,881**	**553,628**
LIABILITIES			
Current Liabilities			
Trade and other payables	11	42,285	47,537
Current tax liabilities	4	-	34,035
Borrowings	12	18,846	5,987
Provisions	13	520	12,156
Total Current Liabilities		**61,651**	**99,715**
Non-Current Liabilities			
Borrowings	12	49,471	18,142
Deferred tax liability	4	1,324	-
Total Non-Current Liabilities		**50,795**	**18,142**
Total Liabilities		**112,446**	**117,857**
Net Assets		**477,435**	**435,771**
Equity			
Issued capital	14	647,010	647,010
Accumulated losses	15	(169,575)	(211,239)
Total Equity		**477,435**	**435,771**

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 2017		**647,010**	**(211,239)**	**435,771**
Comprehensive income for the year				
Profit for the year		-	67,664	67,664
Transactions with owners in their capacity as owners				
Dividends paid or provided	16	-	(26,000)	(26,000)
Balance at 30 June 2018		**647,010**	**(169,575)**	**477,435**
Balance at 1 July 2016		**647,010**	**(332,552)**	**314,458**
Comprehensive income for the year				
Profit for the year		-	147,313	147,313
Transactions with owners in their capacity as owners				
Dividends paid or provided	16	-	(26,000)	(26,000)
Balance at 30 June 2017		**647,010**	**(211,239)**	**435,771**

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		1,032,531	1,037,000
Payments to suppliers and employees		(936,239)	(823,804)
Interest received		6,343	941
Interest paid		(1,103)	(213)
Income taxes paid		(76,487)	(1,740)
Net cash provided by operating activies	**18b**	**25,045**	**212,184**
Cash flows from investing activities			
Purchase for property, plant and equipment		-	(26,999)
Purchase of investments		-	16,364
Purchase of intangible assets		(11,404)	-
Net cash used in investing activities		**(11,404)**	**(226,999)**
Cash flows from investing activities			
Proceeds from leases		-	25,900
Repayment of leases		(5,988)	(1,772)
Dividends paid		(24,795)	(13,000)
Net cash flows from/(used in) financing activities		**(30,783)**	**11,128**
Net increase in cash held		**(17,142)**	**(3,687)**
Cash and cash equivalents at the beginning of the financial year		206,952	210,639
Cash and cash equivalents at the end of the financial year	**18a**	**189,810**	**206,952**

The accompanying notes form part of these financial statements

Notes to the Financial Statements

For the year ended 30 June 2018

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

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.

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 Windsor.

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

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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:

<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.

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

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

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 lo 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

Notes to the financial statements (continued)

Note 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 forwardlooking '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 forwardlooking information and applies to all financial instruments that are subject to impairment accounting.

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

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

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

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 conlract(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.

Note 1. Summary of significant accounting policies (continued)

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

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, ii 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.

Notes to the financial statements (continued)

	2018 $	2017 $
Note 2. Revenue		
Revenue:		
- service commissions	945,650	941,898
Other Revenue:		
- interest received	7,706	3,745
Total revenue	**953,356**	**945,643**

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 income

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

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

	2018 $	2017 $
Note 3. Expenses		
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	332,841	280,551
- superannuation costs	31,784	26,568
- other costs	36,978	37,552
Total Profit before income tax	**401,603**	**344,671**
Depreciation and amortisation:		
Depreciation		
- leasehold improvements	6,252	6,251
- plant and equipment	5,895	5,630
- motor vehicles	5,533	1,368
Amortisation		
- franchise fees	13,744	11,537
Total depreciation and amortisation	**31,424**	**24,786**

Notes to the financial statements (continued)

	2018 $	2017 $

Note 3. Expenses (continued)

Finance costs		
- Interest paid	1,103	213
Bad and doubtful debts expenses	1,258	506
Loss on disposal of property, plant and equipment	-	21
Auditors' remuneration:		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	5,037	4,800
- Share registry services	2,195	3,358
Total Profit before income tax	**7,232**	**8,158**

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 capitalised leased assets, 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.

Depreciation

The depreciable amount of all fixed assets, including capitalised leased assets, 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.

	Rate	Method
Class of asset		
Leasehold improvements	10- 20%	SL
Plant and equipment	7.5-33.3%	SL
Motor vehicles	25%	DV

Gains/losses upon disposal of non-current assets

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

Notes to the financial statements (continued)

	2018 $	2017 $

Note 4. Income tax

The components of tax expense comprise:		
- current tax expense	21,531	54,427
- deferred tax expense	4,281	20,103
- recoupment of prior year tax losses	-	(18,652)
- under provision of prior years	386	-
Total	**26,198**	**55,878**

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%)	25,812	55,878
- underprovision of prior years	386	-
Income tax attributable to the entity	**26,198**	**55,878**
The applicable weighted average effective tax rate is:	27.91%	27.50%

Current tax liability/(assets):		
Current tax refers to the following:		
- opening balance	34,035	-
- income tax paid	(76,487)	(1,740)
- current tax	21,531	54,427
- recoupment of PY Losses	-	(18,652)
Total	**(20,921)**	**34 03 5**

Deferred tax asset/(liability):		
Deferred tax assets comprise:		
- employee provisions	143	3,343
Deferred tax liabilities comprise:		
- accrued income	760	-
- prepayments	707	-
Total	**1,467**	**-**
Net deferred tax asset/ (liability)	**(1,324)**	**3,343**

Deferred income tax included in income tax expense comprises:		
- decrease in deferred tax assets	3,200	20,103
- increase in deferred tax liabilities	1,081	-
Total	**4,281**	**20,103**

Notes to the financial statements (continued)

Note 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 ii 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.

Notes to the financial statements (continued)

	2018 $	2017 $
Note 5. Cash and cash equivalents		
Cash at bank and on hand	189,810	206,952
Total	**189,810**	**206,952**

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.

Note 6. Trade and other receivables

Current:

Trade receivables	53,153	63,265
Other receivables	17,765	-
Total	**70,918**	**63,265**

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.

Note 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 < 30 Days	Past Due but Not Impaired 31-60 Days	Past Due but Not Impaired > 60 Days	Past Due and Impaired $
2018						
- Trade receivables	53,153	53,153	-	-	-	-
- Other receivables	17,765	17,765	-	-	-	-
Total	**70,918**	**70,918**	-	-	-	-
2017						
- Trade receivables	63,265	63,265	-	-	-	-
Total	**63,265**	**63,265**	-	-	-	-

	2018 $	2017 $
Note 7. Financial assets		
Held to maturity financial assets		
Term deposits	200,000	200,000
Total	**200,000**	**200,000**

a) Classification of financial assets

The company classifies its financial assets in the following categories:

- loans and receivables, and
- held to maturity investments.

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

Loans and receivables

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

Held to maturity investments

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

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

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

Note 7. Financial assets (continued)

b) Measurement of financial assets

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.

c) Measurement 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.

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.

Note 8. Other assets

	2018 $	**2017 $**
Repayments	2,570	-
Total	**2,570**	**-**

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.

	2018 $			2017 $		
	At Cost	Accumulated Depreciation	Written Down Value	At Cost	Accumulated Depreciation	Written Down Value

Note 9. Property, plant and equipment

	At Cost	Accumulated Depreciation	Written Down Value	At Cost	Accumulated Depreciation	Written Down Value
Leasehold improvements	348,103	(333,068)	15,035	348,103	(326,815)	21,288
Plant and equipment	99,950	(73,670)	26,280	99,950	(67,776)	32,174
Motor vehicles	23,501	(6,901)	16,600	23,501	(1,368)	22,133
Total property, plant and equipment	**471,554**	**(413,639)**	**57,915**	**471,554**	**(395,959)**	**75,595**

a) 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.

b) Movements in carrying amounts of PP&E

	Opening written down value	Additions	Disposals	Depreciation	Closing written down value
2018					
- Leasehold improvements	21,288	-	-	(6,252)	(15,036)
- Plant and equipment	32,174	-	-	(5,895)	(26,279)
- Motor vehicles	22,133	-	-	(5,533)	(16,600)
Total	**75,595**	**-**	**-**	**(17,680)**	**57,915**
2017					
- Leasehold improvements	27,539	-	-	(6,251)	21,288
- Plant and equipment	34,327	3,498	(21)	(5,630)	32,174
- Motor vehicles	-	23,501	-	(1,368)	22,133
Total	**61,866**	**26,999**	(21)	**(13,249)**	**75,595**

	2018 $			2017 $		
	At Cost	Accumulated Depreciation	Written Down Value	At Cost	Accumulated Depreciation	Written Down Value

Note 10. Intangible assets

	At Cost	Accumulated Depreciation	Written Down Value	At Cost	Accumulated Depreciation	Written Down Value
Franchise fees	122,555	(113,006)	9,549	111,537	(110,642)	895
Leasehold Establishment costs	25,000	(25,000)	-	25,000	(25,000)	-
Renewal franchise fee	90,224	(52,026)	38,198	46,149	(42,571)	3,578
Training fee	1,925	(1,925)	-	-	-	-
Total intangible assets	**239,704**	**(191,957)**	**47,747**	**182,686**	**(178,213)**	**4,473**

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

Movements in carrying amounts

	Opening written down value	Additions	Disposals	Depreciation	Closing written down value
2018					
- Franchise fees	895	11,018	-	(6,25)	(15,036)
- Leasehold Establishment costs	-	-	-	-	(26,279)
- Renewal franchise fee	3,578	44,075	-	(9,455)	(16,600)
- Training fee	-	1,925		(1,925)	
Total	**4,473**	**57,018**	**-**	**(13,744)**	**57,915**
2017					
- Franchise fees	3,202	-	-	(2,307)	895
- Leasehold Establishment costs	-	-	-	-	-
- Renewal franchise fee	12,808	-	-	(9,230)	3,578
- Training fee	-	-	-	-	-
Total	**16,010**	**-**	**-**	**(11,537)**	**4,473**

Notes to the financial statements (continued)

	2018 $	2017 $

Note 11. Trade and other payables

Current		
Unsecured liabilities:		
- Trade creditors	4,636	7,055
- Dividend payable	28,843	27,638
- Other creditors and accruals	8,806	12,844
Total	**42,285**	**47 537**

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.

Note 12. Borrowings

Current		
Unsecured liabilities:		
- Franchise Renewal Fees	12,544	-
	12,544	**-**
Secured liabilities:		
- Finance leases	6,302	5,987
	18,846	**5,987**
Non-current		
Unsecured liabilities:		
- Franchise Renewal Fees	37,632	-
	37,632	**-**
Secured liabilities:		
- Finance leases	11,839	18,142
	49,471	**18,142**
Total Borrowings	**42,285**	**47 537**

Financial 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.

Note 12. Borrowings (continued)

Franchise Fees

During the 2018 financial year the company renewed its franchise agreement with the Bendigo and Adelaide Bank Limited. As part of this agreement, the franchise fees are repayable over 5 years. No interest is charged on this agreement.

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

Note 13. Provisions

	2018 $	2017 $
Current		
Annual leave	520	12,156
Total	**520**	**12,156**

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.

	2018 $	2017 $

Note 14. Share capital

620,100 Ordinary shares fully paid	620,100	620,100
29,900 Ordinary shares fully paid	26,910	26,910
Total	**647,010**	**647,010**

Ordinary shares are classified as equity.

a) Movements in share capital

Fully paid ordinary shares:		
- At the beginning of the reporting period	647,010	647,010
- Shares issued during the year		
At the end of the reporting period	**647,010**	**647,010**

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.

Notes to the financial statements (continued)

	2018 $	2017 $
Note 15. Accumulated losses		
Balance at the beginning of the reporting period	(211,239)	(332,552)
Profit for the year after income tax	67,664	147,313
Dividends paid	(26,000)	(26,000)
Balance at the end of the reporting period	**(169,575)**	**(211,239)**

Note 15. Accumulated losses

Dividends paid or provided for during the year		
The board resolved at its June 2017 meeting to pay a 4 cent dividend in September 17. The $26,000 dividend was recognised in the financial statements as being payable at 30 June 2017, but paid in October 2017. The board resolved at its June 2018 meeting to pay a 4 cent dividend in September 2018.	26,000	26,000

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

Note 17. Earnings per share

Basic earnings per share (cents)	10.46	22.77
Earnings used in calculating basic earnings per share	67,664	147,313
Weighted average number of ordinary shares used in calculating basic earnings per share.	647,010	647,010

<u>Basic earnings per share</u>

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, adjsuted for bonus elements in ordinary shares issues during the year.

Notes to the financial statements (continued)

Note 18. Statement of cash flows

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:

	2018 $	2017 $
Cash and cash equivalents (Note 5)	189,810	206,952
As per the Statement of Cash Flow	**189,810**	**206,952**

b) Reconciliation of cash flow from operations with profit after income tax

Profit for the year after income tax	67,664	147,313
Non-cash flows in profit		
- Depreciation and amortisation	31,424	24,786
- Bad debts	1,258	506
- Net loss on disposal of property, plant & equipment	-	21
Changes in assets and liabilities		
- (Increase)/ decrease in trade and other receivables	(4,349)	(996)
- (Increase)/ decrease in prepayments and other assets	(2,570)	-
- (Increase)/ decrease in deferred tax asset	4,667	20,103
- Increase/ (decrease) in trade and other payables	(6,457)	(8,310)
- Increase/ (decrease) in current tax liability	(54,956)	34,035
- Increase / (decrease) in provisions	(11,636)	(5,274)
Net cash flows from operating activities	**25,045**	**212,184**

c) Credit standby arrangement and loan facilities
The company has available a loan facility amounting of $70,000. The balance was $0 at 30th June 2018. (2017: $0).

Notes to the financial statements (continued)

Note 19. Key management personnel and related party disclosures

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

Remuneration paid to key management personnel as follows:

	2018 $	2017 $
Leigh Powell	2,000	-
Giovanni Caneva	1,500	-
Julie Scott	1,500	-
Rajkumar Gopiraj	1,000	-
Sue Denmead	875	-
Alice Boriboun	750	-
Elizabeth Weston	500	-
Cathy Seaholme	250	-
Charlotte Rendle-Short	-	-
Amie Milkins	-	-
Annie Lay	-	-
	8 375	**-**

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 $
Caneva Management Ply Ltd, a company of which Giovanni Caneva is a director.	Bookkeeping & Administration	12,000

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

e) Other key management transactions
There has been no other transactions involving equity instruments other than those described above.

Notes to the financial statements (continued)

Note 20. Events after the reporting period

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

Note 21. Contingent liabilities and contingent assets

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

Note 22. 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 Stonnington, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2017: 100%).

	2018 $	2017 $

Note 23. Commitments

Operating lease commitments

Payable:		
- no later than 12 months	111,019	104,448
- between 12 months and five years	425,357	512,000
- greater than five years	-	-
Minimum lease payments	**536,376**	**616,448**

The property lease is a non-cancellable lease that finished 1st December 2017, with a further 5 year option available. This is currently being renegotiated. Rent is paid a month in advance, with a fixed 4% increase per annum currently under review.

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

Finance lease commitments
Finance lease liabilitis are payable exclusive of GST as follows:

Payable:		
- no later than 12 months	7,089	7,089
- between 12 months and five years	12,406	19,496
Minimum lease payments	**19,495**	**26,585**
Less future interest charges	(1,354)	(2,456)
Finance lease liability	**18 141**	**24 129**

During April 2017 a motor vehicle was purchased using an equipment loan. This loan is to be repaid over 48 months with no balloon payment.

Notes to the financial statements (continued)

Note 24. Company details

The registered office and principal place of business is 111 Chapel Street, Windsor VIC 3181.

Note 25. 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 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:

	Notes	2018 $	2017 $
Financial assets			
Cash and cash equivalents	5	189,810	206,952
Trade and other receivables	6	70,918	63,265
Financial assets	7	200,000	200,000
Total financial assets		**460,728**	**470,217**
Financial liabilities			
Trade and other payables	11	42,285	47,537
Borrowings	12	68,317	24,129
Total financial liabilities		**110,602**	**71,666**

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.

Note 25. 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.

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

Financial liability and financial asset maturity analysis:

	Weighted average interest rate $	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30th June 2018					
Financial Assets					
Cash and cash equivalents	1.76%	189,810	189,810	-	-
Trade and other receivables	0.00%	70,918	70,918	-	-
Financial assets	2.43%	200,000	200,000	-	-
Total anticipated inflows		**460,728**	**460,728**	-	-
Financial liabilities					
Trade and other payables	0.00%	42,285	42,285	-	-
Borrowings	1.30%	68,317	18,846	49,471	-
Total expected outflows		**110,602**	**61,131**	**49,471**	-
Net inflow/ (outflow) on financial instruments		**350,126**	**399,597**	**(49,471)**	-

Note 25. Financial instrument risk (continued)

b) Liquidity risk (continued)

	Weighted average interest rate $	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30th June 2017					
Financial Assets					
Cash and cash equivalents	1.00%	206,952	206,952	-	-
Trade and other receivables	0.00%	63,265	63,265	-	-
Financial assets	2.00%	200,000	200,000	-	-
Total anticipated inflows		**470,217**	**470,217**	-	-
Financial liabilities					
Trade and other payables	0.00%	47,537	47,537	-	-
Borrowings	6.00%	24,129	5,987	18,142	-
Total expected outflows		**71,666**	**53,524**	**18,142**	-
Net inflow/ (outflow) on financial instruments		**398,551**	**4161693**	**(181142)**	-

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.

The financial instruments that primarily expose the company to interest rate risk are borrowings, 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.

	2018		2017	
	Profit $	Equity $	Profit $	Equity $
+/- 1 % in interest rates (interest income)	3,898	3,898	4,070	4,070
+/- 1 % in interest rates (interest expense)	(683)	(683)	(241)	(241)
	3,215	**3,215**	**3,828**	**3,828**

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 Stonnington Community Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 36 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.

Leigh Powell
Director

Signed at Windsor on 25th September 2018.

Independent audit report

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

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Stonnington 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 Stonnington 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.

Independent audit report (continued)

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

Kathie Teasdale
Partner
Bendigo
Dated: 27 September 2018

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