Tasman Community Financial Services Limited

ABN 46 159 606 881

2018 Annual Report

Nubeena & Tasman **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2018

In last year's Annual Report, I reported that our bank was approximately two thirds of the way to achieving profit. We are in a similar situation this year, however we are in a stronger position given that the balance of the Bank's business is weighted more in terms of loans and transactional business which attracts greater income than previously. However, I am sure the banking staff are delighted to accept all types of business and it is our sole focus as a Board to support them to achieve profit.

As Directors, our skills continue to develop. We continue to work on improving our finance skills; under Paul Sutton's leadership we continue to work through the vagaries of risk management and we have all worked on governance processes.

I would like to acknowledge Carey Badcoe and Mike Harris for their contribution to our Board. Both have had to resign during the course of this year. Both remain strong advocates of our **Community Bank**® branch.

The Marketing Development Fund continues to support our community in a variety of ways from festivals to sporting clubs and local events and initatives. We set up a scholarship program for peninsula students last year to support their technical tertiary (TAFE) studies. Two students were selected and funded for this year. This scholarship of $2,000 and mentoring support will again be offered this year to the successful applicant for next year's studies.

We are extremely fortunate to be able to boast a committed and happy banking staff. They are professional in their dealings with customers and create a caring atmosphere – something to be admired and fostered and is certainly another point of difference from other banks.

On behalf of the Board and shareholders, I thank Steve, Karen, Kate and Tania for the quality of their work.

As we look ahead, we are fortunate the have the support of Martyn Neville, our newly appointed Regional Manager – Tasmania. Martyn has made a tremendous impact since taking on the role earlier this year. His experience in community banking is considerable and his leadership is valued by our Board. Martyn is ably supported by Stewart Nankervis, Regional Community Manager (Tas.)

I hope that next year I will be able to report on further successes as we all continue to work toward the goals of being a successful bank and a pillar of our community. As shareholders, I urge you to continue to support the Nubeena & Tasman **Community Bank**® Branch by continuing to invest.

Steve Bowes
Chairman

Manager's report

For year ending 30 June 2018

As always writing my report for the AGM is a good time to reflect on what the branch has achieved during the past twelve months and to also look forward to what the future holds for us as a **Community Bank®** branch.

The branch has grown considerably with 'business on its books' at opening of approximately $14.5 million, $32 million at the end of the 2015/16 financial year, nearly $45 million by the end of financial year 2016/17 and close to $42 at the end of the 2017/18 this year. Whilst our business on the books dropped this year, our income increased significantly with more lending and less term deposit money held being the main drivers.

Our Market Development Fund has donated over $35,000 back to the community supporting various groups through sponsorships and donations. The Board has this past financial year approved support to be a major sponsor of the Koonya Garlic Festival (which will remain for the February 2019 event), assisting existing and former Tasman District School students to further their sporting and academic endeavours, being a sponsor to the Tasman Golf Club, The Tasman Cricket Club, the annual Boxing Day woodchop and the Nubeena Ex Service Bowls Club, to name just a few.

We continue to face a number of challenges moving forward, with declining branch and ATM usage as we move toward greater electronic access to our finances, with more than 96% of bank transactions now being done electronically. If we are to be a success we must evolve and look for new opportunities to broaden and grow our business, the number of customers we have and likewise the number of products each customer has with our **Community Bank®** branch. Connecting with our local customer base is key to our long-term success and remains a priority for staff and the Board.

Tania, Kate, recent appointee, part time Customer Service Officer Karen and I continue to invest a significant amount of our time to professional development and training to help us remain contemporary with what is an exciting but ever evolving banking landscape. I am exceedingly grateful for all the hard work and dedication Tania, Kate and Karen bring to their roles.

Our services and access to a large range of products, including, but not limited to, lending, investment, superannuation, insurance, foreign currency exchange as well as providing for all the everyday banking needs, is unique to the Tasman Peninsula. Equally we have access to specialists such as our Business Banking Manager Dave Carless, our Rural Bank local representative Dean Lalor and various superannuation and wealth consultants.

On a personal level, I continue enjoying being a part of the local community, and remain involved with the Tasman Rotary Club, the Tasman Peninsula Business Association and continue to assist the Garlic Festival. I remain a member of the Tasman Ex Service club and the Tasman Golf Club.

As a **Community Bank®** branch we have no greater promotional tool than the advocacy of shareholders. I again encourage you as shareholders to bank with our Nubeena & Tasman **Community Bank®** Branch and to continue to talk to our community about what we have achieved and what the possibilities are once we achieve profit.

I am confident that we can keep growing our business and our team are looking forward to helping our local bank make an even greater contribution back into our community and ultimately returning a dividend to our shareholders.

Steve McQueeney
Branch Manager

Directors' report

For the financial year ended 30 June 2018

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

Directors

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

Stephen Dennis Bowes

Chairman

Occupation: Retired

Qualifications, experience and expertise: Qualified from the University of Tasmania (1979) with Bachelor of Education and worked with Department of Education Tasmania until 2011 as a Teacher, Assistant Principal and Principal. Post graduate degree in Master of Education Studies (M.ED) in 1984. Steve has been involved in various community organisations including more recently as Captain of Tasman Golf Club.

Special responsibilities: Chairman of the Board, Chair Human Resources Committee, Chair Finance Committee.

Interest in shares: 2,001

Roderick Edward Scurrah

Vice Chairman

Occupation: Retired

Qualifications, experience and expertise: Retired Certified Financial Planner and a Graduate of the Institute of Company Directors. Spent 40 years in the Financial Services Industry and is a Fellow of the Financial Planning Association.

Special responsibilities: Business Planning and Investment Committee

Interest in shares: 5,000

Andrew James Griffiths

Secretary

Occupation: Bus driver/Orchardist

Qualifications, experience and expertise: Andy is a qualified diesel mechanic, he has 10 years experience in the insurance industry and has spent many years in the Hospitality Industry including Managing Motels, Hotels and small businesses. Andy is now semi retired and drives a local school bus. Andy is an active member of the Tasman Peninsula Football club, Tasman Golf Club (Secretary) Tasman Business Assoc' (Treasurer), Tasman Ex service Men's and Women's Club, and the Koonya Garlic festival.

Special responsibilities: Corporate Secretary, Low Volume Market Co-ordinator, and Human Resources.

Interest in shares: 5,003

Gavin Maurice Hallam

Treasurer

Occupation: Business Owner

Qualifications, experience and expertise: Gavin has been self employed for 45 years, running medium to small businesses.

Special responsibilities: Bookkeeper

Interest in shares: 2,501

Directors' report (continued)

Directors (continued)

Lynette Anne Hallam

Director

Occupation: Teacher/Partner in family business

Qualifications, experience and expertise: Experience owning and running a family business. A teacher for 46 years, as a class room teacher and support teacher.

Special responsibilities: Marketing Committee

Interest in shares: 2,501

Casey Elvie-Ann Garrett

Director

Occupation: Bookkeeper

Qualifications, experience and expertise: Currently works as a bookkeeper and HSE consultant for several small local businesses and has previously worked as an administration manager, prior to that an Administrative assistant. Casey holds a Bachelor degree from Swinburne University, majoring in economics and marketing. Recent community involvements include volunteering for Camp Quality, Make a Wish Foundation and as a community Liaison member for a local childcare centre.

Special responsibilities: Sponsorship and Marketing, Collaborative marketing representative, Minute Secretary.

Interest in shares: Nil

Paul Sutton

Director

Occupation: Principal Consultant - Safety and Risk Management

Qualifications, experience and expertise: Dr Paul Sutton has over 30 years' experience in safety and risk engineering, risk assessment and project management, conducting and managing safety and risk studies across many industries, including: offshore and onshore oil, gas and LNG projects, gas transmission pipelines, gas distribution, power generation, petrochemicals, minerals and chemicals industries. Paul has Worked on projects from concept development, through FEED, detailed design and brownfield. He has regulatory approvals experience, safety case development and safety management system experience. Lead HSE Engineer for many significant oil and gas projects, Corporate General Manager of the Global Safety and Risk Group for Worley Parsons, General Manager for Stratex (Safety Management Consulting Group) for Worley Parsons and Technical Safety & Risk Consultancy. Paul provides extensive risk management experience for the Bendigo Board.

Special responsibilities: Risk management

Interest in shares: 1,500

Michael Harris

Director (Resigned 27 April 2018)

Occupation: Registered Auditor

Qualifications, experience and expertise: Extensive experience in senior financial positions in public listed companies. Partner Chartered Accounting public practice firm. Previous experience as a director in the credit union movement and credit union national bodies. Previous director of the Tasmanian Office of Financial Supervision that oversaw the running of building societies and credit unions. Past president and director of Guide Dogs Tasmania and director of Guide dogs Australia.

Special responsibilities: Nil

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Carey Badcoe

Director (Resigned 8 January 2018)

Occupation: Self Employed

Qualifications, experience and expertise: Over the past thirty years, Carey has worked at an executive level in the public, corporate and not for profit sectors. Carey has been recognized for this work as one of the Australian Financial Review's Inaugural 100 most influential women in Australia in 2012 and as creating the Global Best Education and Business Partnerships in 2012 and 2014. From 2005 to 2014, Carey worked with a group of senior business leaders to create the Australian Business and Community Network (ABCN) as a new organization where over 40 companies, including Bendigo Bank, have now worked with more than 300 schools from disadvantaged schools. In 2013, Carey also established the ABCN Scholarship Foundation, which raised one million dollars in its first year of operation. Carey was Head of Community and Sponsorship at Insurance Australia Group, managing a multimillion budget and all related marketing and volunteering functions and partnerships. Prior to this Carey held a variety of executive private and public sectors roles including Publisher (Next Media), General Manager (Ovation) and Advisor to the Federal Minister for Communications and the Arts.

She has been living in Premaydena since 2012 and is also a Committee member of the Koonya Garlic Festival and the Impression Bay Community Development Committee.

Special responsibilities: Sponsorship and Marketing committee

Interest in shares: 18,000

David John Nowell

Director (Resigned 8 January 2018)

Occupation: Retired Accountant

Qualifications, experience and expertise: David is a retired financial manager. He has a Commerce degree, a Master of Business Administration (MBA) degree, a Master of Commercial Law degree (M Commlaw) and is a fellow of the Australian Institute of Company Directors (FAICD). David also holds directorships in not for profit organisations.

Special responsibilities: Treasurer and member of audit committee

Interest in shares: 3,001

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

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

Company Secretary

The company secretary is Andrew James Griffiths. Andrew was appointed to the position of secretary on 18 November 2016.

Andy is a qualified diesel mechanic, he has 10 years experience in the insurance industry and has spent many years in the Hospitality Industry including Managing Motels, Hotels and small businesses. Andy is now semi retired and drives a local school bus. Andy is an active member of the Tasman Peninsula Football club, Tasman Golf Club (Secretary) Tasman Business Assoc' (Treasurer), Tasman Ex service Men's and Women's Club, and the Koonya Garlic festival.

Principal Activities

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

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

Directors' report (continued)

Operating results

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

Year ended 30 June 2018 $	Year ended 30 June 2017 $
(188,711)	(84,362)

Dividends

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

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 19 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' report (continued)

Directors' meetings

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

	Board Meetings	
	Eligible	**Attended**
Stephen Dennis Bowes	11	11
Roderick Edward Scurrah	11	7
Andrew James Griffiths	11	10
Gavin Maurice Hallam	11	10
Lynette Anne Hallam	11	7
Casey Elvie-Ann Garrett	11	10
Paul Sutton	11	3
Michael Harris (Resigned 27 April 2018)	8	6
Carey Badcoe (Resigned 8 January 2018)	6	1
David John Nowell (Resigned 8 January 2018)	6	1

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

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

Directors' report (continued)

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

Signed in accordance with a resolution of the board of directors at Nubeena, Tasmania on 3 September 2018.

S. D. Bowes.

Stephen Dennis Bowes,
Chairman

Auditor's independence declaration

Partners in success
Chartered Accountants

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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 3 September 2018

David Hutchings
Lead Auditor

Taxation | Audit | Business Services

Financial statements

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

	Notes	2018 $	2017 $
Revenue from ordinary activities	4	305,278	269,610
Employee benefits expense		(229,868)	(213,744)
Charitable donations, sponsorship, advertising and promotion		(22,479)	(19,620)
Occupancy and associated costs		(22,463)	(26,184)
Systems costs		(16,352)	(16,391)
Depreciation and amortisation expense	5	(41,379)	(38,758)
Finance costs	5	(1,156)	(1,396)
General administration expenses		(65,548)	(64,843)
Profit on disposal	4	5,021	-
Loss before income tax		**(88,946)**	**(111,326)**
Income tax (expense)/credit	6	(99,765)	26,964
Loss after income tax		**(188,711)**	**(84,362)**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**(188,711)**	**(84,362)**
Earnings per share		**¢**	**¢**
Basic earnings per share	21	(23.21)	(10.38)

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2018

	Notes	2018 $	2017 $
ASSETS			
Current assets			
Cash and cash equivalents	7	157,324	227,396
Trade and other receivables	8	20,193	14,230
Total current assets		**177,517**	**241,626**
Non-current assets			
Property, plant and equipment	9	131,272	126,002
Intangible assets	10	31,166	53,167
Deferred tax asset	11	-	99,765
Total non-current assets		**162,438**	**278,934**
Total assets		**339,955**	**520,560**
LIABILITIES			
Current liabilities			
Trade and other payables	12	2,778	7,385
Borrowings	13	8,461	7,333
Total current liabilities		**11,239**	**14,718**
Non-current liabilities			
Borrowings	13	25,132	13,547
Total non-current liabilities		**25,132**	**13,547**
Total liabilities		**36,371**	**28,265**
Net assets		**303,584**	**492,295**
EQUITY			
Issued capital	14	776,123	776,123
Accumulated losses	15	(472,539)	(283,828)
Total equity		**303,584**	**492,295**

The accompanying notes form part of these financial statements.

Financial statements *(continued)*

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

	Notes	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2016		776,123	(199,466)	576,657
Total comprehensive income for the year		-	(84,362)	(84,362)
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid		-	-	-
Balance at 30 June 2017		**776,123**	**(283,828)**	**492,295**
Balance at 1 July 2017		776,123	(283,828)	492,295
Total comprehensive income for the year		-	(188,711)	(188,711)
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid		-	-	-
Balance at 30 June 2018		**776,123**	**(472,539)**	**303,584**

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		342,095	300,948
Payments to suppliers and employees		(407,585)	(382,053)
Interest received		3,489	6,700
Interest paid		(1,156)	(1,396)
Net cash used in operating activities	**16**	**(63,157)**	**(75,801)**
Cash flows from investing activities			
Payments for property, plant and equipment		(33,719)	(1,839)
Proceeds from property, plant and equipment		14,091	-
Net cash used in investing activities		**(19,628)**	**(1,839)**
Cash flows from financing activities			
Proceeds from borrowings		35,000	-
Repayment of borrowings		(22,287)	(6,929)
Net cash provided by/(used in) financing activities		**12,713**	**(6,929)**
Net decrease in cash held		**(70,072)**	**(84,569)**
Cash and cash equivalents at the beginning of the financial year		227,396	311,965
Cash and cash equivalents at the end of the financial year	**7(a)**	**157,324**	**227,396**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2018

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

<u>Compliance with IFRS</u>

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

<u>Critical accounting estimates</u>

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

<u>Historical cost convention</u>

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

<u>Comparative figures</u>

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

<u>Application of new and amended accounting standards</u>

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

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

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

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

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating lease of its branch. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to $22,120, on an undiscounted basis (see Note 17).

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

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

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

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

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

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

- design, layout and fit out of the **Community Bank®** branch
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

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

b) Revenue

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

Revenue calculation

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Commission

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Fee income

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

Discretionary financial contributions

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

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

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

Ability to change financial return

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

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

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

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

Monitoring and changing financial return

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

- leasehold improvements	5 - 15 years
- plant and equipment	2.5 - 40 years
- motor vehicles	3 - 5 years

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Impairment

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

l) Leases

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

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

m) Provisions

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

n) Issued capital

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

Note 3. Critical accounting estimates and judgements (continued)

Taxation (continued)

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

Notes to the financial statements (continued)

	2018 $	2017 $

Note 4. Revenue from ordinary activities

Operating activities:		
- gross margin	204,340	162,920
- services commissions	26,078	30,372
- fee income	30,853	27,029
- market development fund	40,000	40,000
Total revenue from operating activities	**301,271**	**260,321**
Non-operating activities:		
- interest received	3,489	6,785
- rental revenue	227	2,500
- other revenue	291	4
Total revenue from non-operating activities	**4,007**	**9,289**
Total revenues from ordinary activities	**305,278**	**269,610**
Profit on disposal of asset	**5,021**	**-**

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	3,373	2,305
- motor vehicles	8,718	7,165
- leasehold improvements	7,288	7,288
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
- establishment renewal fee	20,000	20,000
	41,379	**38,758**
Finance costs:		
- interest paid	**1,156**	**1,396**

Notes to the financial statements (continued)

	2018 $	2017 $

Note 6. Income tax expense/(credit)

	2018 $	2017 $
The components of tax expense/(credit) comprise:		
- Future income tax benefit attributable to losses	(19,368)	(27,751)
- Movement in deferred tax	958	783
- Deferred tax asset not brought to account	18,410	-
- Previous periods deferred tax asset written back	99,765	-
- Under/(Over) provision of tax in the prior period	-	4
	99,765	**(26,964)**
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense/(credit) as follows		
Operating loss	(88,946)	(111,326)
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	(24,460)	(30,615)
Add tax effect of:		
- non-deductible expenses	6,050	6,050
- timing difference expenses	423	(783)
- other deductible expenses	(1,381)	(2,403)
	(19,368)	**(27,751)**
Movement in deferred tax	958	783
Deferred tax asset not brought to account	18,410	-
Previous periods deferred tax asset written back	99,765	-
Under/(Over) provision of income tax in the prior year	-	4
	99,765	**(26,964)**
Future income tax benefits arising from tax losses and timing differences are not recognised at the reporting date as realisation of the benefit is not regarded as probable in the short to medium term.		
Future income tax benefit carried forward is:	**118,175**	**-**

Note 7. Cash and cash equivalents

	2018 $	2017 $
Cash at bank and on hand	18,575	33,040
Term deposits	138,749	194,356
	157,324	**227,396**

Notes to the financial statements *(continued)*

	2018 $	2017 $
Note 7. Cash and cash equivalents (continued)		
Note 7.(a) Reconciliation to cash flow statement		
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:		
Cash at bank and on hand	18,575	33,040
Term deposits	138,749	194,356
	157,324	**227,396**

Note 8. Trade and other receivables

	2018 $	2017 $
Trade receivables	7,115	3,930
Prepayments	7,545	4,515
Other receivables and accruals	5,533	5,785
	20,193	**14,230**

Note 9. Property, plant and equipment

	2018 $	2017 $
Leasehold improvements		
At cost	116,939	116,939
Less accumulated depreciation	(26,279)	(18,991)
	90,660	**97,948**
Plant and equipment		
At cost	21,465	19,131
Less accumulated depreciation	(10,587)	(7,214)
	10,878	**11,917**
Motor vehicles		
At cost	31,385	35,826
Less accumulated depreciation	(1,651)	(19,689)
	29,734	**16,137**
Total written down amount	**131,272**	**126,002**
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	97,948	105,236
Less: depreciation expense	(7,288)	(7,288)
Carrying amount at end	90,660	97,948

Notes to the financial statements (continued)

	2018 $	2017 $
Note 9. Property, plant and equipment (continued)		
Plant and equipment		
Carrying amount at beginning	11,917	12,383
Additions	2,334	1,839
Less: depreciation expense	(3,373)	(2,305)
Carrying amount at end	**10,878**	**11,917**
Motor vehicles		
Carrying amount at beginning	16,137	23,302
Additions	31,385	-
Disposals	(14,091)	-
Profit on sale of asset	5,021	-
Less: depreciation expense	(8,718)	(7,165)
Carrying amount at end	**29,734**	**16,137**
Total written down amount	**131,272**	**126,002**

Note 10. Intangible assets

	2018 $	2017 $
Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(7,167)	(5,166)
	2,833	**4,834**
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(71,667)	(51,667)
	28,333	**48,333**
Total written down amount	**31,166**	**53,167**

Note 11. Tax

	2018 $	2017 $
Non-Current:		
Deferred tax assets		
- accruals	743	743
- tax losses carried forward	126,289	106,920
	127,032	**107,663**

Notes to the financial statements (continued)

	Notes	2018 $	2017 $
Note 11. Tax			
Deferred tax liability			
- accruals		760	1,336
- property, plat and equipment		8,097	6,562
		8,857	**7,898**
Deferred tax asset not brought to account		118,175	-
Net deferred tax asset		**-**	**99,765**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income		**99,765**	**(26,964)**

Note 12. Trade and other payables

	Notes	2018	2017
Current:			
Trade creditors		-	-
Other creditors and accruals		2,778	7,385
		2,778	**7,385**

Note 13. Borrowings

	Notes	2018	2017
Current:			
Chattel mortgage	**17**	**8,461**	**7,333**
Non-Current:			
Chattel mortgage	**17**	**25,132**	**13,547**

Note 14. Issued capital

	Notes	2018	2017
813,063 ordinary shares fully paid (2017: 813,063)		813,063	813,063
Less: equity raising expenses		(36,940)	(36,940)
		776,123	**776,123**

Rights attached to shares

(a) Voting rights

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

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

Notes to the financial statements (continued)

Note 14. Issued capital (continued)

Rights attached to shares (continued)

(a) Voting rights (continued)

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

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 247 As at the date of this report, the company had 272 shareholders.

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

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

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

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

Notes to the financial statements (continued)

	2018 $	2017 $
Note 15. Accumulated losses		
Balance at the beginning of the financial year	(283,828)	(199,466)
Net loss from ordinary activities after income tax	(188,711)	(84,362)
Balance at the end of the financial year	**(472,539)**	**(283,828)**

Note 16. Statement of cash flows

Reconciliation of loss from ordinary activities after tax to net cash used in operating activities

	2018 $	2017 $
Loss from ordinary activities after income tax	(188,711)	(84,362)
Non cash items:		
- depreciation	19,379	16,758
- amortisation	22,000	22,000
- profit on disposal of asset	(5,021)	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(5,963)	(1,101)
- (increase)/decrease in other assets	99,765	(26,964)
- increase/(decrease) in payables	(4,606)	(2,132)
Net cash flows used in operating activities	**(63,157)**	**(75,801)**

Note 17. Leases

Finance lease commitments

	2018 $	2017 $
Payable - minimum lease payments:		
- not later than 12 months	8,461	8,326
- between 12 months and 5 years	26,729	13,782
Minimum lease payments	**35,190**	**22,108**
Less future finance charges	(1,597)	(1,228)
Present value of minimum lease payments	**33,593**	**20,880**

The finance lease for the 2014 Subaru Liberty Wagon, which commenced in October 2014, was a 4-year lease. The lease was paid out on 18 June 2018.

The finance lease for the 2018 Subaru Forrester Wagon, which commenced in April 2018, is a 3-year lease. Interest is recognised at an average rate of 5.0%

Notes to the financial statements (continued)

	2018 $	2017 $
Note 17. Leases (continued)		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	15,614	15,159
- between 12 months and 5 years	6,506	2,175
	22,120	**17,334**

The operating lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. Lease was renewed on the 1 November 2014

Note 18. Auditor's remuneration

	2018 $	2017 $
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,400	4,200
- share registry services	1,885	1,885
- non audit services	3,029	3,419
	9,314	**9,504**

Note 19. Director and related party disclosures

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

- Stephen Dennis Bowes
- Roderick Edward Scurrah
- Andrew James Griffiths
- Gavin Maurice Hallam
- Lynette Anne Hallam
- Casey Elvie-Ann Garrett
- Paul Sutton
- Michael Harris (Resigned 27 April 2018)
- Carey Badcoe (Resigned 8 January 2018)
- David John Nowell (Resigned 8 January 2018)

No director's fees have been paid as the positions are held on a voluntary basis.

Notes to the financial statements (continued)

Note 19. Director and related party disclosures (continued)

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

	2018 $	2017 $
Transactions with related parties:		
Gavin Hallam provides monthly bookkeeping services to the **Community Bank**® branch	4,800	4,800

Directors' shareholdings	2018	2017
Stephen Dennis Bowes	2,001	2,001
Roderick Edward Scurrah	5,000	-
Andrew James Griffiths	5,003	5,003
Gavin Maurice Hallam	2,501	2,501
Lynette Anne Hallam	2,501	2,501
Casey Elvie-Ann Garrett	-	-
Paul Sutton	1,500	1,500
Michael Harris (Resigned 27 April 2018)	-	-
Carey Badcoe (Resigned 8 January 2018)	18,000	18,000
David John Nowell (Resigned 8 January 2018)	3,001	3,001

There was movement in directors' shareholdings during the year.

Note 20. Key management personnel disclosures

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

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

	2018 $	2017 $

Note 21. Earnings per share

(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(188,711)	(84,362)

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	813,063	813,063

Notes to the financial statements (continued)

Note 22. Events occurring after the reporting date

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

Note 23. Contingent liabilities and contingent assets

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

Note 24. Segment reporting

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

Note 25. Registered office/Principal place of business

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

Registered Office

1693 Main Road
NUBEENA TAS 7184

Principal Place of Business

1693 Main Road
NUBEENA TAS 7184

Note 26. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 %**	**2017 %**
Financial assets												
Cash and cash equivalents	18,557	32,990	138,749	194,356	-	-	-	-	18	50	4.26	3.05
Receivables	-	-	-	-	-	-	-	-	7,115	3,930	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	8,461	7,333	25,132	13,547	-	-	-	-	6.50	7.36

Notes to the financial statements (continued)

Note 26. Financial instruments (continued)

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2018 $	**2017 $**
Change in profit/(loss)		
Increase in interest rate by 1%	1,237	2,065
Decrease in interest rate by 1%	(1,237)	(2,065)
Change in equity		
Increase in interest rate by 1%	1,237	2,065
Decrease in interest rate by 1%	(1,237)	(2,065)

Directors' declaration

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

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:

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

(ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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

Stephen Dennis Bowes,
Chairman

Signed on the 3rd of September 2018.

Independent audit report

Partners in success
Chartered Accountants

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

Independent auditor's report to the members of Tasman Community Financial Services Limited

Report on the audit of the financial statements

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

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

What we have audited
Tasman Community Financial Services Limited's (the company) financial report comprises the:

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

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

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

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

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

Independent audit report (continued)

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 3 September 2018

David Hutchings
Lead Auditor

Nubeena & Tasman **Community Bank**® Branch
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