

Tumby Bay District Financial Services Limited

ABN 99 145 161 093



2019 Annual Report

THANK YOU



Tumby Bay District Community Bank Branch
Cleve Agency

Contents

Chairperson's report	2
Manager's report	4
2018/19 Donations & Sponsorship	6
Directors' report	8
Auditor's independence declaration	11
Financial statements	12
Notes to the financial statements	16
Directors' declaration	41
Independent audit report	42

Chairperson's report

For year ending 30 June 2019

This report covers the eighth year of operation for Tumby Bay District Financial Services Limited and my first term as Chairperson of our Community Bank branch.

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

From the financial reports you will see the growth of our business for Tumby Bay District Financial Services Limited from July 2018 to 30 June 2019 is \$15.17 million for a total business held as of that date of \$74.79 million. The Cleve Agency contributed \$14.04 million towards the increase in growth and their total business held was \$28.12 million for the same period. This financial year, with our dedicated staff led by our Branch Manager, Judy Arbery, the business has exceeded the expected target of \$64.12 million. This remarkable output is due to the close collaboration with Rural Bank and more to these ventures should take place in the future.

Whilst the Bank has made solid growth this year it is not yet in a financial position to pay a dividend.

I would like to thank our Board, Treasurer, Manager and staff for their dedication to duties as we head towards that goal. The serving Directors have been, Grantley Telfer, Deputy Chairperson, Tom Tierney, Joanne Powell, Cyril Heir, Geoff Hales and myself. Directors and past Chairperson, Wayne Branson and Anna Swaffer have resigned from the Board, and Hannah Jordan-Allen and Lorraine Deakin from Cleve have joined the Board. Janet Shepherd, Company Secretary has extended her service by one year and I am very thankful for her support and dedication with the compliance of the company. I extend my thanks to our staff including our cleaner.

The Board is certainly diverse and this offers challenges and opportunities for progress and change. The dedicated committee in Cleve led by Warren Elson has contributed \$14.04 million to the business this financial year and I want to thank their dedicated committee for the prosperity they bring to their community and the business.

Part of our strategic plan to grow the business is to look at the Cowell area with a Community Bank Agency. The establishment of a steering committee is under discussion and the Board is confident that an agency will be created in the future.

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

Bendigo and Adelaide Bank Limited has undertaken extensive restructuring with Renato Principe as the new Community Business Manager and Alison Burr as the Regional Manager Community SA. The Board is working with them both to improve the performance of the Board and business.

As you are no doubt aware no Director receives any payment for duties performed for you the shareholders. But they do however receive a reward. That reward is the satisfaction that what they do, gives back to our and your community and invigorates it with funds granted to education, sporting bodies, youth, health and many other organisations all of which are local. \$11,380 has been given out in the Tumby Bay District and \$16,238 in the Cleve District in the 2018/19 financial year.

Chairman's report (continued)

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

The message still remains: we need your business and your support. Do you support the local community by doing nothing more than doing business with the Community Bank branch. If not, why not?

We are moving forward and onward to better things with a Community Bank model and the Board trusts you are coming on the journey with us. With stronger community backing the business will be able to give more back to the community and this is the whole philosophy and purpose of the business we run for you! Be there for our community to develop and grow!

Together we can do it!



Pascale Dettwiler
Chairperson

Director history

Inaugural Directors

Kevin Cook – Chairman
Wayne Branson – Deputy Chairman
Julie Elliott – Company Secretary
Ned Roberts – Treasurer
Emma Pedler
Donald Bawden
Ian Fulton
Robert Heath
Hartley Modra
Malvern Telfer

Previous Directors

Tania Harris
Sally Richardson
Damian Modra
Nerissa Schuster
Janet Shepherd
Helen Ware
Paul Stoddard
Stephen Hibbit
Phil Hoskin
Lyndon Crosby
Anne Swaffer

Manager's report

For year ending 30 June 2019

Once again, the finance and banking industry has negotiated its way through a difficult year due to external demands on the industry with political uncertainty, low consumer confidence and the lowest interest rates we have encountered in Australia. It has been a very competitive market with margins squeezed and additional regulatory pressure as a result of the Royal Commission.

Having come through this unsettling and difficult period, we are proud to say that Bendigo Bank is consistently rated highly for trust and satisfaction, we have given over \$200 million back to communities and we are the fifth largest retail bank in Australia. We are also proud of the full range of competitive financial products and services we offer and how we support our local communities.

Our vision is to be Australia's bank of choice. Our purpose has not changed over the 160 years when Bendigo Bank was founded: To feed into the prosperity of our customers and their communities, not off it. The first Community Bank branch opened just over twenty years ago and our purpose has remained consistent over time.

You, our shareholders are involved in many of the local clubs, community groups and schools in Tumby Bay and Cleve Districts. You will have benefited from the contributions made available to these groups by our customers. We thank those of you who do bank with us as you are making it happen! Some beneficiaries of our sponsorships are:

- Buddy benches at three schools to support social inclusion and friendship
- Sensory garden at Uringa Hostel to enhance day to day life of our elderly
- Youth Opportunities at Tumby Bay Area School which provides a personal leadership program for senior students
- Bendigo Bank Mortlock Shield – maintaining tradition with Australia's longest running country football championship
- Cycling without age Trio Bike providing our older generations access to the great outdoors
- Skate Park sunshades protecting our younger generations whilst enjoying the new skate park and pump track
- The Inaugural Bendigo Bank EP Speed Shearing Competition enhancing the local country show experience and increase attendance.

Our performance over the 2018/19 financial year was pleasing considering the challenges the industry has endured. Our growth for this period was 25.4%. Sandhurst Trustee's provided an alternative to term deposits with declining interest rates. Once again Rural Bank, our specialist agribusiness bank, performed well under the management of Business Relationship Manager Chris Miller.

The total deposits and loans under the Cleve Agency grew by almost 120.9%. I would like to thank the Cleve Committee for their energy and focus to grow the business in the Cleve District. They are a team committed to promoting the agency to garner the benefits for the community.

Loans	\$16.449 million
Deposits	\$24.481 million
Other business including Sandhurst and Rural Bank	\$33.862 million
Total business	\$74.792 million

Manager's report (continued)

Our team has remained unchanged for the year with focus on increasing skills and knowledge in lending and a high level of accuracy with compliance. I thank my team of Michelle Parker, Karlee Dunn, Hannah Lienert, Anita Pedemonte and Janet Shepherd for their commitment to themselves to develop their skills and knowledge, to our customers in supporting them to achieve their financial goals and to each other to provide a positive working environment.

Through this year of change, strong business outcomes and community investment, I would like to congratulate our volunteer Board of Directors for driving the changes for better outcomes for our customers, shareholders and team. They have given willingly many hours of their time and individual expertise to serve our community.



Judy Arbery

Branch Manager

2018/19 Donations & Sponsorship

Name of recipient	Provided	Amount \$
Donations		
Tumby Bay Senior Citizens	New Data projector	1,000
Cleve Lions Club	Community assistance	500
Tumby Bay Traders	Christmas Parade	250
Tumby Bay Lions Club	Christmas Parade	50
Tumby Bay Community Carols	Use of marquee	140
Tumby Bay YAC	Use of marquee	140
	Total donations paid	2,080
Sponsorship		
Ungarra Primary School	Nature Playground	2,000
Roberts-Verran Ag Bureau	Inspection Day	150
Franklin Harbour Ag Bureau	Inspection Day	200
Cleve Golf Club	Annual Sponsorship	300
Cleve Sporting Bodies	Annual Sponsorship	400
Eastern Eyre Football League	Annual Sponsorship	1,000
Darke Peak Golf Club	Annual Sponsorship	500
Tumby Bay Bowling Club	Annual Sponsorship	500
Tumby Bay Progress Association	Colour Tumby	1,000
Port Neill Bowling Club	Annual Sponsorship	500
Arno Bay Community	Annual Sponsorship	500
Cleve Mental Health Group	Health Wellbeing	1,000
District Council of Tumby Bay	New Clock Monument	500
Tumby Bay Progress Association	Trishaw	1,000
Tumby Bay YAC	Face Painting	340
Tumby Bay Croquet Club	Upgrade green	1,000
Yallunda Flat AH&F Show	Animal Nursery	250
West Coast Youth & Community Support	Mentally Fit EP	500
Cleve Community	Christmas Pageant	500
Cleve Area School	Sign	150
Tumby Bay Hospital / Uringa Auxillary	Upgrade sensory garden	500
Ungarra Tennis Club	New Shirts	1,000
Cleve Bowls Club	Annual Sponsorship	1,500
Eastern Ranges Football & Netball Club	Annual Sponsorship	2,000
Ports Football & Netball Club	Annual Sponsorship	2,000

2018/19 Donations & Sponsorship (continued)

Name of recipient	Provided	Amount \$
Sponsorship		
Cleve Men's Shed	Mental health	2,000
Tumby Bay Football Club	Annual sponsorship	330
Tumby Bay Netball Club	Annual sponsorship	150
Eyre United Netball Club	Annual sponsorship	250
Tumby Bay Area School	Youth Opportunities	2,000
Franklin Harbour Ag Bureau	Inspection Day	200
Port Neill Primary School	School Sports	150
Arno Bay Yatch Club	Cleve Agency 3rd Birthday donation	600
Cleve Gymworks	Cleve Agency 3rd Birthday donation	600
Cleve Men's shed	Cleve Agency 3rd Birthday donation	600
Cleve Area School	Cleve Agency 3rd Birthday donation	600
Cleve Bowls Club	Cleve Agency 3rd Birthday donation	600
Tumby Bay Area, Ungarra Primary and Cleve Area Schools	Buddy Benches	2,468
	Total sponsorships paid	29,838
	2018/19 Grand total	31,918
	Total contributions since 2011	142,841
Bendigo Bank Mortlock Shield	EP Community Bank branches – Cummins, Port Lincoln, Tumby Bay collaborative marketing	15,000

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

Bank with us, everyone benefits.

\$31,918

2018/19
Donations &
Sponsorship

\$142,841

Contributions since
2011

Directors' report

For the financial year ended 30 June 2019

The Directors present their report of the company for the financial year ended 30 June 2019.

Directors

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

Directors	Details
Pascale Szypowski	Chairperson, Doctor of Pharmacy, pharmacist at PLHS, AICD trained director, previous director/secretary of Katherine Community Bank, director of Professional Board of Pharmacy Tasmania, business owner for 10 years.
Thomas Tierney	Retired business owner, previous experience in banking and running own business, involved in local sports clubs and Lions Club.
Geoffrey Hales	Clerical/pay office, wool testing, industrial relations, business owner for 20 years, worked in bank agency.
Jo-Anne Powell	Business owner, previous experience in retail and investment banking, experience in corporate event management.
Cyril Hier	Retired primary producer, councillor for District Council LeHunte, member of the CEP Hospital Board, CFS Fire Service and sporting clubs
Philip Hoskin	Resigned 24th July 2018, Pharmacist and primary producer, previous experience in running own pharmacy, currently relieves in pharmacy, manages own farm.
Wayne Branson	Resigned 20th November 2018, tourism accomodation manager, board member for several local clubs, over 40 years experience in the rural industry.
Lyndon Crosby	Resigned 7th November 2018, Assistant manager of machinery dealership, farming experience, board member of local Hospital and Aged Care.
Elizabeth Swaffer	Resigned 23rd April 2019, retired district nurse, previous experience in nursing, involved in local sports clubs and church.
Grantley Telfer	Appointed 7th November 2018, agricultural business proprietor, member of Redcliff camp property committee, experience in property development.
Hannah Allen-Jordan	Appointed 7th November 2018, food retail assistant, second term councillor at District Council of Tumby Bay, coach for Tumby Bay Netball Club coach, member of Tumby Bay Progress Association.
Lorraine Deakin	Appointed 1st February 2019, retired primary producer, treasurer of Cleve Lions Club, vice president of Cleve Bowling Club, president of Cleve Hospital Auxillary, secretary of Bendigo Bank Cleve Agency

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

Directors' report (continued)

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings		Audit Committee meetings	
	A	B	A	B
Pascale Szypowski	11	10	1	1
Thomas Tierney	11	11	-	-
Geoffrey Hales	11	10	1	1
Jo-Anne Powell	11	5	-	-
Cyril Hier	11	8	-	-
Philip Hoskin	-	-	-	-
Wayne Branson	5	3	-	-
Lyndon Crosby	5	-	-	-
Elizabeth Swaffer	9	8	-	-
Grantley Telfer	7	6	1	1
Hannah Allen-Jordan	8	2	-	-
Lorraine Deakin	7	4	-	-

A - The number of meetings eligible to attend.

B - The number of meetings attended.

N/A - not a member of that committee.

Company Secretary

Janet Shepherd has been the Company Secretary of Tumby Bay District Financial Services Limited since 2015. Janet's qualifications and experience include a Diploma in Retail Business Management, former director, and involved in local community groups.

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 \$31,198 (2018 profit: \$357), which is a significant increase as compared with the previous year.

The net liabilities of the company have decreased to \$421,123 (2018: \$452,321). This is largely due to the operating profit made for the year ended 30 June 2019.

Dividends

No dividends were declared or paid during the financial year.

Options

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

Significant changes in the state of affairs

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

Directors' report (continued)

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.

Indemnifying Officers or Auditor

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

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

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

Auditor

RSM continues in office in accordance with section 327 of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Board of Directors at Tumby Bay on 24 September 2019, pursuant to section 298(2)(a) of the *Corporations Act 2001*.



Pascale Szykowski
Director

Auditor's independence declaration



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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Tumby Bay District Financial Services Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief there have been no contraventions of:

- a. The auditor independence requirements of the *Corporations Act 2001* in relation to the audit, and
- b. Any applicable code of professional conduct in relation to the audit.

A handwritten version of the RSM logo in black ink.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink that reads 'David Wall'.

DAVID WALL

Adelaide, South Australia

Date: 24 September 2019

Partner

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RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

Tumby Bay District Financial Services Limited
ABN 99 145 161 093
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2019

	Note	2019 \$	2018 \$
Revenue	2	546,593	491,710
Expenses			
Employee benefits expense	3	(261,922)	(270,633)
Depreciation and amortisation	3	(34,336)	(33,792)
Other expenses		(191,519)	(177,801)
		<u>(487,777)</u>	<u>(482,226)</u>
Operating profit before charitable donations & sponsorship		58,816	9,484
Charitable donations and sponsorships		<u>(27,618)</u>	<u>(9,127)</u>
Profit before income tax		31,198	357
Income tax expense	4	<u>-</u>	<u>-</u>
Profit for the year after income tax		31,198	357
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>31,198</u>	<u>357</u>
Profit attributable to members of the company		31,198	357
Total comprehensive income attributable to members of the company		<u>31,198</u>	<u>357</u>

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

Financial statements (continued)

Tumby Bay District Financial Services Limited
ABN 99 145 161 093
Statement of Financial Position
as at 30 June 2019

	Note	2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents	5	7,156	8,186
Trade and other receivables	6	36,389	35,417
Other current assets	7	7,310	6,306
Total current assets		50,855	49,909
Non-current assets			
Property, plant and equipment	8	37,510	55,918
Intangible assets	9	23,705	37,261
Total non-current assets		61,215	93,179
Total assets		112,070	143,088
Liabilities			
Current liabilities			
Trade and other payables	11	18,677	17,234
Borrowings	12	466,706	521,105
Provisions	13	39,806	38,911
Total current liabilities		525,189	577,250
Non-current liabilities			
Borrowings	12	-	14,912
Provisions	13	8,004	3,247
Total non-current liabilities		8,004	18,159
Total liabilities		533,193	595,409
Net liabilities		(421,123)	(452,321)
Equity			
Issued capital	14	863,359	863,359
Accumulated losses	15	(1,284,482)	(1,315,680)
Total equity		(421,123)	(452,321)

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

Financial statements (continued)

Tumby Bay District Financial Services Limited

ABN 99 145 161 093

Statement of Changes in Equity for the year ended 30 June 2019

	Note	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018		863,359	(1,315,680)	(452,321)
<i>Comprehensive income for the year</i>				
Profit for the year		-	31,198	31,198
Other comprehensive income for the year		-	-	-
		<u>-</u>	<u>31,198</u>	<u>31,198</u>
<i>Transactions with owners in their capacity as owners</i>				
Dividends paid or provided	16	-	-	-
Balance at 30 June 2019		<u><u>863,359</u></u>	<u><u>(1,284,482)</u></u>	<u><u>(421,123)</u></u>
Balance at 1 July 2017		863,359	(1,316,037)	(452,678)
<i>Comprehensive income for the year</i>				
Profit for the year		-	357	357
Other comprehensive income for the year		-	-	-
		<u>-</u>	<u>357</u>	<u>357</u>
<i>Transactions with owners in their capacity as owners</i>				
Dividends paid or provided	16	-	-	-
Balance at 30 June 2018		<u><u>863,359</u></u>	<u><u>(1,315,680)</u></u>	<u><u>(452,321)</u></u>

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

Financial statements (continued)

Tumby Bay District Financial Services Limited
 ABN 99 145 161 093
 Statement of Cash Flows
 for the year ended 30 June 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers		545,553	492,452
Payments to suppliers and employees		(474,968)	(428,963)
Interest received		68	-
Net cash flows provided by operating activities	17b	<u><u>70,653</u></u>	<u><u>63,489</u></u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,372)	(895)
Net cash flows used in investing activities		<u><u>(2,372)</u></u>	<u><u>(895)</u></u>
Cash flows from financing activities			
Repayment of borrowings		(14,912)	(14,912)
Net cash flows used in financing activities		<u><u>(14,912)</u></u>	<u><u>(14,912)</u></u>
Net increase in cash held		53,369	47,682
Cash and cash equivalents at beginning of financial year		(498,007)	(545,689)
Cash and cash equivalents at end of financial year	17a	<u><u>(444,638)</u></u>	<u><u>(498,007)</u></u>

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

Notes to the financial statements

For year ended 30 June 2019

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

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

The financial statements were authorised for issue by the Directors on 24 September 2019.

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, where 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 branches at Tumby Bay**.

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

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank** branches 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** branches;
- 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.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Going Concern

For the period ended 30 June 2019, there are several factors that may cast a doubt on the entities ability to continue as a going concern. These conditions include:

- the net liabilities of the company as at 30 June 2019 were \$421,123;
- the profit made for the period was \$31,198, bringing accumulated losses to \$1,284,482; and
- the company generated a net cash inflow from operating activities of \$70,653.

Over the past 12 - 18 months, the directors have implemented measures to increase the footings of the bank. In conjunction with a change in commission rates earned on banking products from Bendigo and Adelaide Bank Limited, revenue has grown by 14%.

The company meets its day to day working capital requirements through an overdraft facility. The overdraft has an approved limited of \$550,000 and was drawn down to \$451,794 as at 30 June 2019.

The directors will continue to review their growth forecast budget and cash flows throughout the 2019/20 year, and continue to implement measure to preserve cash, and secure additional finance.

Bendigo and Adelaide Bank Limited has confirmed that it will continue to support the Company and its operations for the 2019/20 financial year, and beyond, through the provision of the overdraft facility on normal commercial terms and conditions to assist with working capital requirements. The support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business. During the year, the company reduced its borrowings by \$69,311.

Based on the above, the directors believe that it is reasonably foreseeable that the company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

(b) Impairment of assets

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

(c) Goods and services tax (GST)

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

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

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

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(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

Estimation of useful lives of assets

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

Fair value assessment of non-current physical assets

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

Employee benefits provision

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

Income tax

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

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(e) Critical accounting estimates and judgements (continued)

Impairment

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

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

With the exception of the below, these financial statements have been prepared in accordance with the same accounting policies adopted in the entity's last annual financial statements for the year ended 30 June 2018. Note that the changes in accounting policies specified below **ONLY** apply to the current period. The accounting policies included in the company's last annual financial statements for the year ended 30 June 2018 are the relevant policies for the purposes of comparatives.

AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* (2014) became mandatorily effective on 1 January 2018. Accordingly, these standards apply for the first time to this set of annual financial statements. The nature and effect of changes arising from these standards are summarised in the section below.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and several revenue-related interpretations. The new Standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balances of retained earnings as at 1 July 2018 and comparatives are not restated.

Based on our assessment, there has not been any effect on the financial report from the adoption of this standard.

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces AASB 139's '*Financial Instruments: Recognition and Measurement*' requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB9, the entity elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

Based on our assessment, there has not been any effect on the financial report from the adoption of this standard.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(g) New accounting standards for application in future periods

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

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

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 standard will primarily affect the accounting for the company's operating leases. As at the reporting date, the company has non-cancellable operating lease commitments of \$145,620. However, the company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the company's profit and classification of cash flows.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The company does not intend to adopt the standard before its effective date.

(h) Change in accounting policies

Revenue

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.

To determine whether to recognise revenue, the company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

Given the nature of the agreement with Bendigo and Adelaide Bank Limited, there are no performance obligations, therefore the revenue is recognised at the earlier of:

- a) when the entity has a right to receive the income and it can be reliably measured; or
- b) upon receipt.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(h) Change in accounting policies (continued)

Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- a) Financial assets at amortised cost
- b) Financial assets at fair value through profit and loss (FVTPL)
- c) Financial assets at fair value through other comprehensive income (FVTOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The company's trade and most other receivables fall into this category of financial instruments as well as deposits that were previously classified as held-to-maturity under AASB 139.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(h) Change in accounting policies (continued)

Financial Instruments (continued)

Impairment of financial assets

AASB 9's new forward looking impairment model applies to company's investments at amortised cost. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the company uses its historical experience, external indicators and forward-looking information to determine the expected credit losses on a case-by-case basis.

As the accounting for financial liabilities remains largely unchanged from AASB 139, the company's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as "fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

Reconciliation of financial instruments on adoption of AASB 9

The table below shows the classification of each class of financial asset and financial liability under AASB 139 and AASB 9 as at 1 July 2018:

	AASB 139 Classification	AASB 9 Classification	AASB 139 Carrying value (\$)	AASB 9 Carrying value (\$)
Financial Asset				
Trade and Other receivables	Loans and receivables	Amortised cost	35,417	35,417
Financial Liabilities				
Trade and other payables	Amortised cost	Amortised cost	17,234	17,234
Borrowings	Amortised cost	Amortised cost	29,824	29,824

Notes to the financial statements (continued)

2. Revenue

	2019	2018
	\$	\$
Revenue		
- service commissions	<u>409,718</u>	<u>358,426</u>
	<u>409,718</u>	<u>358,426</u>
Other revenue		
- interest received	68	52
- salary contribution - Bendigo and Adelaide Bank	99,025	103,947
- other revenue	<u>37,782</u>	<u>29,285</u>
	<u>136,875</u>	<u>133,284</u>
Total revenue	<u><u>546,593</u></u>	<u><u>491,710</u></u>

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.

Interest, and other income

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

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

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

Rendering of services

As detailed in the franchise agreement, companies earn three types of revenue - margin, commission and fee income. Bendigo and Adelaide Bank Limited decide the method of calculation of revenue the company earns on different types of products and services and this is dependent on the type of business the company generates also taking into account other factors including economic conditions, including interest rates.

Core Banking Products

Bendigo and Adelaide Bank Limited identify specific products and services as 'core banking products', however it also reserves the right to change the products and services identified as 'core banking products', providing 30 days notice is given.

Margin

Margin is earned on all core banking products. A Funds Transfer Pricing (FTP) model is used for the method of calculation of the cost of funds, deposit return and margin. Margin is determined by taking the 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.

Commission

Commission is a fee earned on products and services sold. Depending on the product or services, it may be paid on the initial sale or on an ongoing basis.

Salary contribution

Salary contribution is a contribution towards salaries and superannuation from Bendigo and Adelaide Bank Limited.

Notes to the financial statements (continued)

2. Revenue (continued)

Fee Income

Fee income is a share of 'bank fees and charges' charged to customers by Bendigo and Adelaide Bank Limited, including fees for loan applications and account transactions.

Discretionary Financial Contributions

Bendigo and Adelaide Bank Limited has made discretionary financial payments to the company, outside of the franchise agreement and in addition to margin, commission and fee income. This income received by the company is classified as "Market Development Fund" (MDF) income. The purpose of these payments is to assist the company with local market development activities, however, it is for the board to decide how to use the MDF. Due to their discretionary nature, Bendigo and Adelaide Bank Limited may change or stop these payments at any time.

Form and Amount of Financial Return

The franchise agreement stipulates that Bendigo and Adelaide Bank Limited may change the form, method of calculation or amount of financial return the company receives. The reasons behind making a change may include, but not limited to, changes in Bendigo and Adelaide Bank Limited's revenue streams/processes; economic factors or industry changes.

Bendigo and Adelaide Bank Limited may make any of the following changes to form, method of calculation or amount of financial returns:

- A change to the products and services identified as 'core banking products and services'
- A change as to whether it pays the company margin, commission or fee income on any product or service.
- A change to the method of calculation of costs of funds, deposit return and margin and a change to the amount of any margin, commission and fee income.

These abovementioned changes, may impact the revenue received by the company on a particular product or service, or a range of products and services.

However, if Bendigo and Adelaide Bank Limited make any of the above changes, per the franchise agreement, it must comply with the following constraints in doing so.

- a) If margin or commission is paid on a core banking product or service, Bendigo and Adelaide Bank Limited cannot change it to fee income;
- b) In changing a margin to a commission or a commission to a margin on a core banking product or service, **OR** changing the method of calculation of a cost of funds, deposit return or margin or amount of margin or commission on a core product or service, Bendigo and Adelaide Bank Limited must not reduce the company's share of Bendigo and Adelaide Bank Limited's margin on core banking product and services when aggregated to less than 50% of Bendigo and Adelaide Bank Limited's margin on core banking products attributed to the company's retail branch operation; and
- c) Bendigo and Adelaide Bank Limited must publish the change at least 30 days before making the change.

3. Expenses

	2019	2018
	\$	\$
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	223,357	217,660
- superannuation costs	26,093	19,367
- other costs	12,472	33,606
	<u>261,922</u>	<u>270,633</u>

Notes to the financial statements (continued)

3. Expenses (continued)

	2019 \$	2018 \$
Depreciation and amortisation		
<i>Depreciation</i>		
- leasehold improvements	19,607	19,607
- plant and equipment	1,173	629
	<u>20,780</u>	<u>20,236</u>
<i>Amortisation</i>		
- franchise fees	13,556	13,556
	<u>13,556</u>	<u>13,556</u>
 Total depreciation and amortisation	 <u><u>34,336</u></u>	 <u><u>33,792</u></u>
 Auditors' remuneration		
<i>Remuneration of the Auditor, RSM Australia Partners, for:</i>		
- Audit or review of the financial report	5,250	5,250
	<u>5,250</u>	<u>5,250</u>

Operating expenses

Operating expenses are recognised in profit or loss on an accruals 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 is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

<i>Class of asset</i>	<i>Rate</i>	<i>Method</i>
Leasehold improvements	10%	Straight line
Plant and equipment	20%	Straight line
Computer software	40%	Straight line

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)

4. Income tax

	2019 \$	2018 \$
a. The components of tax expense comprise:		
Current tax expense	-	-
Deferred tax expense	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2018: 27.5%)	8,579	98
Add tax effect of:		
- Deductible depreciation and amortisation	-	3,727
- Other allowable items	1,300	6,755
- Deferred tax asset not brought to account	(9,879)	(10,580)
Income tax attributable to the entity	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>
The applicable weighted average effective tax rate is:	0.00%	0.00%
c. Deferred tax asset		
Deferred tax assets arising from tax losses and deductible temporary differences have not been recognised at reporting date as realisation of the benefit is not regarded as probable.		
	<u>336,815</u>	<u>346,694</u>

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

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

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

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

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

Notes to the financial statements (continued)

5. Cash and cash equivalents

	2019	2018
	\$	\$
Cash at bank and on hand	7,156	8,186
	<u>7,156</u>	<u>8,186</u>

Cash and cash equivalents include cash on hand, deposits available on demand with banks and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

As per the statement of financial position	7,156	8,186
(Less) bank overdraft	<u>(451,794)</u>	<u>(506,193)</u>
As per the statement of cash flows	<u>(444,638)</u>	<u>(498,007)</u>

6. Trade and other receivables

	2019	2018
	\$	\$
Current		
Trade receivables	36,389	35,417
	<u>36,389</u>	<u>35,417</u>

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any expected credit losses. 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. Expected credit losses are 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. This amount is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. This amount 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.

Notes to the financial statements (continued)

6. Trade and other receivables (continued)

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

	Gross amount	Not past due	Past due but not impaired			Past due and impaired
	\$	\$	< 30 days	31-60 days	> 60 days	\$
2019						
Trade receivables	36,389	36,389	-	-	-	-
Total	36,389	36,389	-	-	-	-
2018						
Trade receivables	35,417	35,417	-	-	-	-
Total	35,417	35,417	-	-	-	-

7. Other assets

	2019	2018
	\$	\$
Prepayments	7,310	6,306
	7,310	6,306

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.

Notes to the financial statements (continued)

8. Property, plant and equipment

	2019		2018	
	\$		\$	
	At cost	Accumulated depreciation	At cost	Accumulated depreciation
Leasehold improvements - at cost	196,060	(161,672)	196,060	(142,065)
Plant and equipment - at cost	18,620	(15,498)	16,248	(14,325)
Total property, plant and equipment	214,680	(177,170)	212,308	(156,390)
				Written down value
				53,995
				1,923
				55,918

Plant and equipment

Plant and equipment are measured on the cost basis 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.

Notes to the financial statements (continued)

8. Property, plant and equipment (continued)

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

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

(a) Capital expenditure commitments

The entity does not have any capital expenditure commitments at 30 June 2019 (2018: None)

(b) Movements in carrying amounts of PP&E

	Opening written down value	Additions	Depreciation	Closing written down value
2019				
Leasehold improvements	53,995	-	(19,607)	34,388
Plant and equipment	1,923	2,372	(1,173)	3,122
Total property, plant and equipment	55,918	2,372	(20,780)	37,510
2018				
Leasehold improvements	73,602	-	(19,607)	53,995
Plant and equipment	1,657	895	(629)	1,923
Total property, plant and equipment	75,259	895	(20,236)	55,918

Notes to the financial statements (continued)

9. Intangible assets

	2019 \$		2018 \$	
	At cost	Accumulated amortisation	At cost	Accumulated amortisation
Franchise fees	77,781	(54,076)	77,781	(40,520)
Total intangible assets	77,781	(54,076)	77,781	(40,520)
		Written down value		Written down value
		23,705		37,261
		23,705		37,261

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	Amortisation	Closing written down value
2019	37,261	-	(13,556)	23,705
Franchise fees	37,261	-	(13,556)	23,705
Total intangible assets				

	Opening written down value	Additions	Amortisation	Closing written down value
2018	50,817	-	(13,556)	37,261
Franchise fees	50,817	-	(13,556)	37,261
Total intangible assets				

Notes to the financial statements (continued)

10. Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as "fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

11. Trade and other payables

	2019 \$	2018 \$
Current		
<i>Unsecured liabilities:</i>		
Trade creditors	2,324	2,086
GST Payable	6,549	5,912
Other creditors and accruals	9,804	9,236
	<u>18,677</u>	<u>17,234</u>

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

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

12. Borrowings

	2019 \$	2018 \$
Current		
<i>Unsecured liabilities</i>		
Bank overdraft	451,794	506,193
Bank loan	14,912	14,912
	<u>466,706</u>	<u>521,105</u>
Non-current		
<i>Unsecured liabilities</i>		
Bank loan	-	14,912
	<u>-</u>	<u>14,912</u>
Total borrowings	<u>466,706</u>	<u>536,017</u>

Loans

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings as classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(a) Bank overdraft and bank loans

The company has an overdraft facility of \$550,000 which is not currently subject to interest costs.

Notes to the financial statements (continued)

13. Provisions

	2019	2018
	\$	\$
Current		
Employee benefits	<u>39,806</u>	<u>38,911</u>
Non-current		
Employee benefits	<u>8,004</u>	<u>3,247</u>
Total provisions	<u><u>47,810</u></u>	<u><u>42,158</u></u>

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.

14. Share capital

	2019	2018
	\$	\$
863,359 Ordinary shares fully paid	863,359	863,359
Less: Equity raising costs	-	-
	<u><u>863,359</u></u>	<u><u>863,359</u></u>

Ordinary shares are classified as equity.

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

(a) Movements in share capital

Fully paid ordinary shares:

At the beginning of the reporting period	863,359	863,359
Shares issued during the year	-	-
At the end of the reporting period	<u><u>863,359</u></u>	<u><u>863,359</u></u>

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.

Notes to the financial statements (continued)

14. Share capital (continued)

(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.

15. Accumulated losses

	2019	2018
	\$	\$
Balance at the beginning of the reporting period	(1,315,680)	(1,316,037)
Profit for the year after income tax	31,198	357
Dividends paid	-	-
Balance at the end of the reporting period	<u>(1,284,482)</u>	<u>(1,315,680)</u>

16. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year

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

Notes to the financial statements (continued)

17. Statement of cash flows

	2019 \$	2018 \$
(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:		
Cash and cash equivalents (Note 5)	7,156	8,186
Less bank overdraft (Note 12)	<u>(451,794)</u>	<u>(506,193)</u>
As per the Statement of Cash Flow	<u>(444,638)</u>	<u>(498,007)</u>

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

Profit for the year after income tax	31,198	357
Non-cash flows in profit		
- Depreciation and amortisation	34,336	33,792
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(972)	2,491
- (increase) / decrease in prepayments and other assets	(1,004)	169
- (Increase) / decrease in deferred tax asset	-	-
- Increase / (decrease) in trade and other payables	1,443	2,220
- Increase / (decrease) in current tax liability	-	-
- Increase / (decrease) in provisions	<u>5,652</u>	<u>24,460</u>
Net cash flows from operating activities	<u>70,653</u>	<u>63,489</u>

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft and commercial bill facility amounting to \$550,000 (2018: \$650,000). This may be terminated at any time at the option of the bank. At 30 June 2019, \$451,794 of this facility was used (2018: \$506,193). No interest expense applies to this overdraft facility as this has been waved by Bendigo Bank.

Notes to the financial statements (continued)

18. Key management personnel and related party disclosures

(a) Key management personnel

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

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

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

(d) Key management personnel shareholdings

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

	2019	2018
Pascale Szypowski	-	-
Thomas Tierney	5,000	5,000
Geoffrey Hales	5,000	5,000
Jo-Anne Powell	-	-
Cyril Hier	5,000	5,000
Philip Hoskin	10,000	10,000
Wayne Branson	11,301	11,301
Lyndon Crosby	-	-
Elizabeth Swaffer	5,000	5,000
Grantley Telfer	22,000	22,000
Hannah Allen-Jordan	-	-
Lorraine Deakin	2,000	-
	<u>65,301</u>	<u>63,301</u>

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

(e) Other key management transactions

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

19. Events after the reporting period

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

Notes to the financial statements (continued)

20. Contingent liabilities and contingent assets

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

21. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in Tumby Bay and Cleve, South Australia. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2018: 100%).

22. Commitments

Operating lease commitments

	2019	2018
	\$	\$
Payable:		
- no later than 12 months	29,124	28,666
- between 12 months and five years	116,496	114,664
- greater than five years	-	-
Minimum lease payments	145,620	143,330

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance and with CPI increases each year.

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

Finance lease commitments

Finance lease liabilities are payable exclusive of GST as follows:

	2019	2018
	\$	\$
Payable:		
- no later than 12 months	14,912	14,912
- between 12 months and five years	-	14,912
- greater than five years	-	-
Minimum lease payments	14,912	29,824
Less future interest charges	-	-
Finance lease liability	14,912	29,824

Finance leases comprises of a liability to repay franchise fees over a 5 year term.

23. Company details

The registered office and principal place of business is 7 North Terrace
Tumby Bay SA 5605

Notes to the financial statements (continued)

24. Financial instrument risk

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board.

Specific financial risk exposure and management

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

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

	Note	2019 \$	2018 \$
Financial assets			
Cash and cash equivalents	5	7,156	8,186
Trade and other receivables	6	36,389	35,417
Total financial assets		43,545	43,603
Financial liabilities			
Trade and other payables	11	18,677	17,234
Borrowings	12	14,912	29,824
Bank overdraft	12	451,794	506,193
Total financial liabilities		485,383	553,251

(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.

Notes to the financial statements (continued)

24. Financial instrument risk (continued)

(a) Credit risk (continued)

None of the assets of the company are past due (2018: 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.

In addition the company has established an overdraft facility of \$550,000 with Bendigo and Adelaide Bank Limited. The undrawn amount of this facility is \$98,206 (2018: \$143,807).

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. The Bank overdraft facility is subject to annual review, may be drawn at any time, and may be terminated by the bank without notice. Therefore the balance of the overdraft facility outstanding at year end could become repayable within 12 months.

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

Financial liability and financial asset maturity analysis:

30 June 2019	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial assets					
Cash and cash equivalents	0.00%	7,156	7,156	-	-
Trade and other receivables		36,389	36,389	-	-
Total anticipated inflows		<u>43,545</u>	<u>43,545</u>	-	-
Financial liabilities					
Trade and other payables		18,677	18,677	-	-
Borrowings	0.00%	14,912	14,912	-	-
Bank overdraft *	0.00%	451,794	451,794	-	-
Total expected outflows		<u>485,383</u>	<u>485,383</u>	-	-
Net inflow / (outflow) on financial instruments		<u><u>(441,838)</u></u>	<u><u>(441,838)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Notes to the financial statements (continued)

24. Financial instrument risk (continued)

(b) Liquidity risk (continued)

30 June 2018	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial assets					
Cash and cash equivalents	0.00%	8,186	8,186	-	-
Trade and other receivables		35,417	35,417	-	-
Total anticipated inflows		<u>43,603</u>	<u>43,603</u>	<u>-</u>	<u>-</u>
Financial liabilities					
Trade and other payables		17,234	17,234	-	-
Borrowings	0.00%	29,824	14,912	14,912	-
Bank overdraft *	0.00%	506,193	506,193	-	-
Total expected outflows		<u>553,251</u>	<u>538,339</u>	<u>14,912</u>	<u>-</u>
Net inflow / (outflow) on financial instruments		<u><u>(509,648)</u></u>	<u><u>(494,736)</u></u>	<u><u>(14,912)</u></u>	<u><u>-</u></u>

* The Bank overdraft has no set repayment period and as such all has been included as current.

(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.

The primary risks the company is exposed to is interest rate risk and other price risk. The company has no exposure to fluctuations in foreign currency.

Interest rate risk

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

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

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates. 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.

	2019		2018	
	Profit \$	Equity \$	Profit \$	Equity \$
+/- 1% in interest rates (interest income)	72	72	82	82
+/- 1% in interest rates (interest expense)	(4,667)	(4,667)	(5,360)	(5,360)
	<u>(4,595)</u>	<u>(4,595)</u>	<u>(5,278)</u>	<u>(5,278)</u>

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 Tumby Bay District Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 34 are in accordance with the *Corporations Act 2001*
 - (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 2019 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.



Pascale Szypowski
Director

Signed at Tumby Bay on 24 September 2019.

Independent audit report



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INDEPENDENT AUDITOR'S REPORT

To the Members of Tumby Bay District Financial Services Limited

Opinion

We have audited the financial report of Tumby Bay District Financial Services Limited (**Company**), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) Giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

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 2019, but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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Independent audit report (continued)



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

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view 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 responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

A handwritten signature in black ink that reads 'D J Wall'.

D J WALL
Partner
RSM Australia Partners

Adelaide, South Australia
Date: 25 September 2019

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

Cleve Agency
Cleve Pharmacy, 31 Main Street, Cleve SA 5640
Phone: (08) 8628 2072

Franchisee: Tumby Bay District Financial Services Limited
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