

# Sarina and District Community Financial Services Limited

ABN: 28112407182

Financial Statements

30 June 2017

# Sarina and District Community Financial Services Limited

## Directors' Report

Your directors submit the financial statements of the company for the financial year ended 30 June 2017.

### Directors

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

Karen Lesley May

Chair

Occupation: Councillor

Qualifications, experience and expertise: Karen is a graduate of the Australian Institute of Company Directors. She holds a Certificate III in Frontline Management and a Certificate in Community Development, and has 14 years local government experience, during which time she has held position of Councillor, Deputy Mayor and Mayor of Sarina Shire Council. Current Councillor at Mackay Regional Council. Karen has been a small business owner and operator for the past 20 years having owned the Sarina Motor Inn and Hideaway Restaurant for five and half years, the Sarina Eagle Boys Pizza for 10 years and the Sarina Laundromat and vending business for the past 12 years. She managed the Sarina RSL Club from 1/1/15 until 24/12/16 and has been a Director/Chair of Mackay Regional Housing Company Ltd and Connect Housing Ltd for the past 10 years, whose goal is to manage and deliver affordable housing. This year Karen was elected as the North Queensland Representative of the newly formed Community Bank National Council. She is committed to the development of the Community Bank model and embrace the opportunity to work with the network of community bank Directors and the staff of Bendigo and Adelaide Bank.

Special responsibilities: Business Development, Community Engagement, and Audit & Governance Committees

Interest in shares: 1,000

Jeffrey William Burt

Secretary

Occupation: Company Director

Qualifications, experience and expertise: Self employed business manager with Burt's Machinery Services Pty Ltd, which hires drilling rigs and other machinery to an operator in the coal seam gas industry. Previously Jeff and his wife have been owner/operators of a small business in Brisbane and agricultural enterprises at Merriwa in NSW, Wowan and Dimbulah in Queensland. Previous employment was as a marine engineer and technical manager for a large international dredging company in PNG.

Special responsibilities: Chair - Audit & Governance Committee

Interest in shares: 20,550

Maree Gail Franettovich

Director

Occupation: Lecturer, School of Business & Law CQUniversity Mackay; Director, Business Services Network Pty Ltd

Qualifications, experience and expertise: Associate Lecturer in business management, human resources and marketing in the School of Business and Law CQUniversity and Director of Business Services Network Pty Ltd, a boutique consultancy dedicated to tailored integrated strategic business solutions with a key focus on the right people management, developing managers and implementing specialised business frameworks. Maree is a passionate regional advocate, and an energetic and enthusiastic educator and coach. She has a strong business background and brings this professional acumen and expertise to her community leadership roles as well as her CQUniversity academic role. Throughout her career Maree has applied her professional expertise in management, human resources, marketing and corporate communications across a diverse range of industries in Australia, including the federal parliament, tourism, financial services, health services, agribusiness, transport and logistics, civil construction and higher education, with experience working overseas. Maree holds a Bachelor of Business Management and Human Resources, a Graduate Diploma of Management, and is an Accredited Vocational and Workplace Trainer. Maree is a member of the Australian Institute of Company Directors, Australian Institute of Managers and Leaders, and the Queensland Rural, Regional and Remote Women's Network. Maree is an active supporter of fundraising initiatives, particularly those in aid of cancer solutions.

Special responsibilities: Chair - Community Engagement Committee

Interest in shares: 7,350

# Sarina and District Community Financial Services Limited

## Directors' Report

### Directors (*continued*)

George Edward (Ted) Malone

Director

Occupation: Retired MP

Qualifications, experience and expertise: Retired Member of the Queensland Parliament (1994-2015); Assistant Minister for Emergency Services Volunteer with special responsibility for a review of the Queensland Rural Fire Service and Volunteers. Shadow Ministries included Emergency Services, Local Government, Public Works, Employment and Training. Previously a contractor, cane farmer, grazier, and property developer. Delegate to sugar industry conferences for 24 years; served five years on the Board of a growers' organisation with three years as Chairman until April 1994. Member of the Sugar Industry Policy Council and the Sugar Research and Development Corporation Selection Committee and discussions leading up to the division of sugar monies. Life Member of Apex Club of Sarina; member of Lions Club of Sarina; Patron of the Ted Malone MP Rural Skills Centre Sarina; Board Member of the Sarina RSL Branch Inc.

Special responsibilities: Chair - Business Development Committee

Interest in shares: 7,000

Gregory Craig Melvin

Director (*Appointed 29 September 2016*)

Occupation: Self-funded retiree

Qualifications, experience and expertise: Greg represents a self-funded retiree since leaving the financial planning industry in December 2008. His role in that industry saw him working in specialist positions for a major corporate before establishing a financial planning practice focusing on wealth accumulation and retirement strategies. He was heavily involved in self-regulation and governance issues as the industry underwent an evolutionary process. Greg holds an Advanced Diploma of Financial Planning and was a member of the Financial Planning Association of Australia (FPA). He was also an active member of their Central Queensland chapter, acting as Chairperson over a five year period. Previous to that career, he spent four years in general banking and 15 years in the international travel industry. Greg is heavily involved with the Sarina Landcare and Catchment Management Association and currently sits on their Management Committee as Vice Chair.

Special responsibilities: Nil

Interest in shares: 7,000

Nicholas Paul McDougall

Director (*Appointed 29 September 2016*)

Occupation: French Polisher

Qualifications, experience and expertise: Nicholas holds a Certificate IV in Furniture Finishing and is currently studying a Bachelor of Heritage, Museums and Conservation. He is involved with the Bishops Youth Ministry, Vice President of Greenmount Homestead, and was previously the principal french polisher of the Restoration Barn Mackay.

Special responsibilities: Business Development Committee

Interest in shares: 3,000

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 Jeffrey Burt. Jeffrey was appointed to the position of secretary in July 2015.

Jeffrey's experience includes being an owner/operator of a small business.

### 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.

# Sarina and District Community Financial Services Limited

## Directors' Report

### Operating results

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

Year ended 30 June 2017	Year ended 30 June 2016
\$	\$
40,202	59,592

### Operating and financial review

#### Operations

The business of the company is the operation of Sarina Community Bank® Branch of Bendigo and Adelaide Bank Limited under a franchise agreement.

The company continues to grow for the benefit of both the shareholders and the community. This growth comes through in our increasing community funding and profile in the community. The company is a special purpose company and our charter provides that shareholders can receive up to 20% of company profits and the community 80% of profits.

Revenue has decreased slightly from \$1,186,070 (2016) to \$1,175,124.

Our Community Engagement Program and marketing strategies have underpinned business sustainability, and despite intense market competition throughout the year, we have experienced a modest increase of business on the books from \$162,824,000 (2015-16) to \$179,834,089, an increase of 1.1%.

#### Financial position

Our financial position remains strong. Net profit has decreased from \$59,592 (2015-16) to \$40,202, due to dividends paid and increased contributions to the community.

The position for shareholders has been a shift as follows:

Net asset position has reduced from \$811,940 (2015-16) to \$787,332, a decrease of 0.03%.

#### Business Strategy

We have conducted strategic planning for the next 3 years. From the exercise we develop marketing strategies to grow the business and target those areas where we have potential to increase the banking business and our share of the market. We also look to be involved in partnering opportunities to grow the business and progress our passion to strengthen the local community.

#### Prospects for future financial years

Given the current economic conditions in our area the directors believe slight growth is available. We expect to be operating in a very flat market and a very competitive environment. Our continuing profile in the community will enable us to capitalise on green shoots of opportunity.

# Sarina and District Community Financial Services Limited

## Directors' Report

### Remuneration report

#### (a) Remuneration of Directors

All Directors of the Company are on a voluntary basis, therefore no remuneration guidelines have been prepared.

The Branch Manager attends all Board meetings and presents a full report to the Board of Directors. The Branch Manager advises the Directors on a number of issues but does not have any voting rights. She is also a member of sub-committees, including the Community Engagement Committee and the Business Development Committee.

#### (b) Remuneration of Branch Manager

The Branch Manager is employed by Bendigo and Adelaide Bank Limited, with her services seconded to Sarina and District Community Financial Services Limited. She is employed on a contract which is in line with the standard remuneration levels applicable to Bendigo and Adelaide Bank Limited staff in similar roles.

Transactions with directors	\$
Sarina RSL Club, of which Karen May was co-manager, supplied catering services and venue hire during the period. All transactions occurred at market price.	1,200

#### Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Karen Lesley May	1,000	-	1,000
Jeffrey William Burt	20,550	-	20,550
Maree Gail Franettovich	5,350	2,000	7,350
George Edward Malone	7,000	-	7,000
Gregory Craig Melvin ( <i>Appointed 29 September 2016</i> )	-	7,000	7,000
Nicholas Paul McDougall ( <i>Appointed 29 September 2016</i> )	-	3,000	3,000

	Year ended 30 June 2017	
Dividends	Cents	\$
Dividends paid in the year	9	64,810

#### 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.

# Sarina and District Community Financial Services Limited

## Directors' Report

### 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' meetings

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

	Board Meetings Attended		Committee Meetings Attended			
	<u>Eligible</u>	<u>Attended</u>	Business Development		Community Engagement	
			<u>Eligible</u>	<u>Attended</u>	<u>Eligible</u>	<u>Attended</u>
Karen Lesley May	11	10	1	1	12	11
Jeffrey William Burt	11	10	-	-	-	-
Maree Gail Franettovich	11	11	-	-	12	12
George Edward Malone	11	8	1	1	-	-
Gregory Craig Melvin*	9	8	-	-	-	-
Nicholas Paul McDougall*	9	9	1	1	-	-

A - eligible to attend

\*Appointed 29 September 2016

B - number attended

### 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.

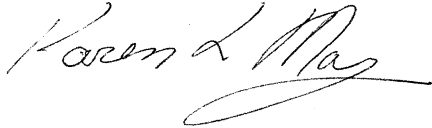
# Sarina and District Community Financial Services Limited

## Directors' Report

### 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 7.

Signed in accordance with a resolution of the board of directors at Sarina, Queensland on 25 August 2017.



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Karen Lesley May, Chair

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

As lead auditor for the audit of Sarina and District Community Financial Services Limited for the year ended 30 June 2017, 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: 25 August 2017



**David Hutchings**  
Lead Auditor



Sarina and District Community Financial Services Limited  
Statement of Profit or Loss and Other  
Comprehensive Income  
for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue from ordinary activities	4	1,175,124	1,186,070
Employee benefits expense		(450,155)	(505,238)
Charitable donations, sponsorship, advertising and promotion		(390,499)	(310,911)
Occupancy and associated costs		(73,149)	(72,360)
Systems costs		(22,091)	(29,385)
Depreciation and amortisation expense	5	(38,890)	(38,298)
Finance costs	5	(968)	(1,321)
General administration expenses		(143,921)	(145,781)
<b>Profit before income tax expense</b>		<b>55,451</b>	<b>82,776</b>
Income tax expense	6	(15,249)	(23,184)
<b>Profit after income tax expense</b>		<b>40,202</b>	<b>59,592</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>			
		<b>40,202</b>	<b>59,592</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
Basic earnings per share	21	5.58	8.28

The accompanying notes form part of these financial statements

# Sarina and District Community Financial Services Limited

## Balance Sheet

as at 30 June 2017

	Notes	2017 \$	2016 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	513,748	485,622
Trade and other receivables	8	66,221	60,592
Current tax asset	11	13,894	28,666
<b>Total Current Assets</b>		<b>593,863</b>	<b>574,880</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	203,637	223,946
Intangible assets	10	40,156	54,106
<b>Total Non-Current Assets</b>		<b>243,793</b>	<b>278,052</b>
<b>Total Assets</b>		<b>837,656</b>	<b>852,932</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	30,962	15,244
Borrowings	13	13,263	7,478
<b>Total Current Liabilities</b>		<b>44,225</b>	<b>22,722</b>
<b>Non-Current Liabilities</b>			
Borrowings	13	-	13,263
Deferred tax liabilities	11	6,099	5,007
<b>Total Non-Current Liabilities</b>		<b>6,099</b>	<b>18,270</b>
<b>Total Liabilities</b>		<b>50,324</b>	<b>40,992</b>
<b>Net Assets</b>		<b>787,332</b>	<b>811,940</b>
<b>Equity</b>			
Issued capital	14	688,018	688,018
Retained earnings	15	99,314	123,922
<b>Total Equity</b>		<b>787,332</b>	<b>811,940</b>

The accompanying notes form part of these financial statements

Sarina and District Community Financial Services Limited  
Statement of Changes in Equity  
for the year ended 30 June 2017

	Issued Capital \$	Retained Earnings \$	Total Equity \$
<b>Balance at 1 July 2015</b>	688,018	129,140	817,158
Total comprehensive income for the year	-	59,592	59,592
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(64,810)	(64,810)
<b>Balance at 30 June 2016</b>	<b>688,018</b>	<b>123,922</b>	<b>811,940</b>
<b>Balance at 1 July 2016</b>	688,018	123,922	811,940
Total comprehensive income for the year	-	40,202	40,202
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(64,810)	(64,810)
<b>Balance at 30 June 2017</b>	<b>688,018</b>	<b>99,314</b>	<b>787,332</b>

The accompanying notes form part of these financial statements

Sarina and District Community Financial Services Limited  
Statement of Cash Flows  
for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,165,477	1,296,038
Payments to suppliers and employees		(1,066,465)	(1,166,484)
Interest received		6,386	6,143
Interest paid		(968)	(2,601)
Income taxes paid		615	(59,788)
<b>Net cash provided by operating activities</b>	16	<b>105,045</b>	<b>73,308</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(4,631)	-
Payments for intangible assets		-	(68,056)
<b>Net cash used in investing activities</b>		<b>(4,631)</b>	<b>(68,056)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(7,478)	(5,820)
Dividends paid		(64,810)	(64,810)
<b>Net cash used in financing activities</b>		<b>(72,288)</b>	<b>(70,630)</b>
<b>Net increase/(decrease) in cash held</b>		<b>28,126</b>	<b>(65,378)</b>
Cash and cash equivalents at the beginning of the financial year		485,622	551,000
<b>Cash and cash equivalents at the end of the financial year</b>	7(a)	<b>513,748</b>	<b>485,622</b>

The accompanying notes form part of these financial statements

# Sarina and District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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### Note 1. Summary of significant accounting policies

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#### 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 Standard Boards and the *Corporations Act 2001*. The company is a for-profit entity for the purpose of preparing the financial statements.

#### *Compliance with IFRS*

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

#### *Critical accounting estimates*

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 are significant to the financial statements are disclosed in note 3.

#### *Historical cost convention*

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.

#### *Comparative figures*

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

#### *Application of new and amended accounting standards*

There are a number of amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2016, and are therefore relevant for the current financial year.

None of these amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

There are also a number of accounting standards and interpretations issued by the Australian Accounting Standards Board (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 2016. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

Only AASB 16 Leases, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. This revised standard will require the branch lease to be capitalised.

#### *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 Sarina, Queensland.

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.

# Sarina and District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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### Note 1. Summary of significant accounting policies (*continued*)

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#### a) Basis of preparation (*continued*)

##### *Economic dependency - Bendigo and Adelaide Bank Limited (continued)*

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 in relation to:

- advice and assistance in relation to the 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
- 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.

# Sarina and District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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### Note 1. Summary of significant accounting policies (*continued*)

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#### b) Revenue (*continued*)

##### *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.

##### *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 makes.

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.

# Sarina and District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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### Note 1. Summary of significant accounting policies (*continued*)

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#### b) Revenue (*continued*)

##### *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.

#### 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 unpaid (or

##### *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

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 consolidated 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 company 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 excess.

#### 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.



# Sarina and District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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**Note 1. Summary of significant accounting policies (*continued*)**

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**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.

**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	40	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.

# Sarina and District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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**Note 1. Summary of significant accounting policies (*continued*)**

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**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.

*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*

Non-derivative financial liabilities (excluding financial guarantees) 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 or 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.

**n) Contributed equity**

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.

# Sarina and District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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**Note 1. Summary of significant accounting policies (continued)**

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**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.

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**Note 2. Financial risk management**

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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.

**(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.

# Sarina and District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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### **Note 2. Financial risk management (*continued*)**

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#### (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 2017 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.

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### **Note 3. Critical accounting estimates and judgements**

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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

#### *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 un-recouped 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.

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.

# Sarina and District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 3. Critical accounting estimates and judgements (*continued*)

#### *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 consolidated 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.

Note 4. Revenue from ordinary activities	2017	2016
	\$	\$
Operating activities:		
- gross margin	846,280	792,495
- services commissions	229,509	257,503
- fee income	82,949	78,090
- market development fund	10,000	50,000
Total revenue from operating activities	<u>1,168,738</u>	<u>1,178,088</u>
Non-operating activities:		
- interest received	6,386	6,143
- other revenue	-	1,839
Total revenue from non-operating activities	<u>6,386</u>	<u>7,982</u>
Total revenues from ordinary activities	<u>1,175,124</u>	<u>1,186,070</u>

Sarina and District Community Financial Services Limited  
Notes to the Financial Statements  
for the year ended 30 June 2017

Note 5. Expenses	2017 \$	2016 \$
Depreciation of non-current assets:		
- plant and equipment	3,382	2,790
- leasehold improvements	15,822	15,822
- motor vehicle	5,736	5,736
Amortisation of non-current assets:		
- franchise agreement	2,325	2,325
- franchise renewal fee	11,625	11,625
	<u>38,890</u>	<u>38,298</u>
Finance costs:		
- interest paid	<u>968</u>	<u>1,321</u>
Bad debts	<u>351</u>	<u>3,163</u>

Note 6. Income tax expense

The components of tax expense comprise:		
- Current tax	14,157	21,537
- Movement in deferred tax	1,092	6,334
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	(182)
- Under/(Over) provision of tax in the prior period	-	(4,505)
	<u>15,249</u>	<u>23,184</u>

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows

Operating profit	55,451	82,776
Prima facie tax on profit from ordinary activities at 27.5% (2016: 28.5%)	15,249	23,591
Add tax effect of:		
- timing difference expenses	(1,092)	(2,054)
	<u>14,157</u>	<u>21,537</u>
Movement in deferred tax	1,092	6,334
Adjustment to deferred tax to reflect change of tax rate in future periods	-	(182)
Under/(Over) provision of income tax in the prior year	-	(4,505)
	<u>15,249</u>	<u>23,184</u>

Note 7. Cash and cash equivalents

Cash at bank and on hand	288,296	134,857
Term deposits	225,452	350,765
	<u>513,748</u>	<u>485,622</u>

Sarina and District Community Financial Services Limited  
Notes to the Financial Statements  
for the year ended 30 June 2017

<b>Note 7.(a) Reconciliation to cash flow statement</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>

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	288,296	134,857
Term deposits	225,452	350,765
	<u>513,748</u>	<u>485,622</u>

**Note 8. Trade and other receivables**

Trade receivables	55,828	52,566
Prepayments	10,393	8,026
	<u>66,221</u>	<u>60,592</u>

**Note 9. Property, plant and equipment**

Leasehold improvements		
At cost	272,731	272,731
Less accumulated depreciation	(97,391)	(81,569)
	<u>175,340</u>	<u>191,162</u>
Plant and equipment		
At cost	61,150	56,519
Less accumulated depreciation	(46,856)	(43,474)
	<u>14,294</u>	<u>13,045</u>
Motor vehicles		
At cost	28,681	28,681
Less accumulated depreciation	(14,678)	(8,942)
	<u>14,003</u>	<u>19,739</u>
Total written down amount	<u>203,637</u>	<u>223,946</u>

Sarina and District Community Financial Services Limited  
Notes to the Financial Statements  
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Note 9.	Property, plant and equipment <i>(continued)</i>	2017	2016
		\$	\$
<b>Movements in carrying amounts:</b>			
Leasehold improvements			
Carrying amount at beginning		191,162	206,984
Additions		-	-
Disposals		-	-
Less: depreciation expense		(15,822)	(15,822)
Carrying amount at end		<u>175,340</u>	<u>191,162</u>
Plant and equipment			
Carrying amount at beginning		13,045	15,835
Additions		4,631	-
Disposals		-	-
Less: depreciation expense		(3,382)	(2,790)
Carrying amount at end		<u>14,294</u>	<u>13,045</u>
Motor vehicles			
Carrying amount at beginning		19,739	25,475
Additions		-	-
Disposals		-	-
Less: depreciation expense		(5,736)	(5,736)
Carrying amount at end		<u>14,003</u>	<u>19,739</u>
Total written down amount		<u>203,637</u>	<u>223,946</u>
<b>Note 10. Intangible assets</b>			
Franchise fee			
At cost		82,968	82,968
Less: accumulated amortisation		(76,275)	(73,950)
		<u>6,693</u>	<u>9,018</u>
Renewal processing fee			
At cost		114,839	114,839
Less: accumulated amortisation		(81,376)	(69,751)
		<u>33,463</u>	<u>45,088</u>
Total written down amount		<u>40,156</u>	<u>54,106</u>



Sarina and District Community Financial Services Limited  
Notes to the Financial Statements  
for the year ended 30 June 2017

<b>Note 11. Tax</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Current:</b>		
Income tax refundable	<u>(13,894)</u>	<u>(28,666)</u>
<b>Non-Current:</b>		
Deferred tax assets		
- accruals	1,100	976
- employee provisions	-	152
	<u>1,100</u>	<u>1,128</u>
Deferred tax liability		
- property, plant and equipment	7,199	6,135
	<u>7,199</u>	<u>6,135</u>
Net deferred tax liability	<u>(6,099)</u>	<u>(5,007)</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>1,092</u>	<u>6,151</u>

**Note 12. Trade and other payables**

<b>Current:</b>		
Trade creditors	10,911	5,215
Other creditors and accruals	20,051	10,029
	<u>30,962</u>	<u>15,244</u>

**Note 13. Borrowings**

<b>Current:</b>		
Car Loan	<u>13,263</u>	<u>7,478</u>
<b>Non-Current:</b>		
Car Loan	<u>-</u>	<u>13,263</u>

The car loan is repayable monthly with the final instalment due in January 2018. Interest is recognised at an average rate of 5.2%. The loan is secured by a fixed and floating charge over the company's assets.

**Note 14. Contributed equity**

720,109 ordinary shares fully paid (2016: 720,109)	720,109	720,109
Less: equity raising expenses	(32,091)	(32,091)
	<u>688,018</u>	<u>688,018</u>

# Sarina and District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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### Note 14. Contributed equity (*continued*)

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#### 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.

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 they control or own 10% or more of the shares in the company (the "10% limit").

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.

# Sarina and District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 14. Contributed equity (*continued*)

Prohibited shareholding interest (*continued*)

The National Stock Exchange (NSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the 'base number test' is not, as a result the base number clause does not operate whilst the company remains listed on the NSX.

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.

Note 15. Retained earnings	2017	2016
	\$	\$
Balance at the beginning of the financial year	123,922	129,140
Net profit from ordinary activities after income tax	40,202	59,592
Dividends paid or provided for	(64,810)	(64,810)
Balance at the end of the financial year	<u>99,314</u>	<u>123,922</u>

### Note 16. Statement of cash flows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	40,202	59,592
Non cash items:		
- depreciation	24,940	24,348
- amortisation	13,950	13,950
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(5,629)	2,248
- (increase)/decrease in other assets	14,772	39,254
- increase/(decrease) in payables	15,718	(57,002)
- increase/(decrease) in current tax liabilities	1,092	(9,082)
Net cash flows provided by operating activities	<u>105,045</u>	<u>73,308</u>

### Note 17. Leases

Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	13,263	7,478
- between 12 months and 5 years	-	13,263
- greater than 5 years	-	-
Minimum lease payments	<u>13,263</u>	<u>20,741</u>
Less future finance charges	-	-
Present value of minimum lease payments	<u>13,263</u>	<u>20,741</u>

The finance lease for the car, which commenced in January 2015, is a 3-year lease. Interest is recognised at an average rate of 4.3%.

# Sarina and District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

<b>Note 17. Leases (continued)</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
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	36,917	36,912
- between 12 months and 5 years	67,681	104,584
- greater than 5 years	-	-
	<u>104,599</u>	<u>141,496</u>

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease was renewed on 11 April 2015.

<b>Note 18. Auditor's remuneration</b>		
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	5,500	5,250
- non audit services	2,885	4,146
	<u>8,385</u>	<u>9,396</u>

<b>Note 19. Director and related party disclosures</b>		
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.		
Transactions with Key Management Personnel		
Sarina RSL Club, of which Karen May was co-manager, supplied catering services and venue hire during the period. All transactions occurred at market price.	1,200	2,500

Detailed shareholding disclosures are provided in the remuneration report, included as part of the directors' report.

<b>Note 20. Dividends paid or provided</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>a. Dividends paid during the year</b>		
Current year dividend		
100% (2016: 100%) franked dividend - 9 cents (2016: 9 cents) per share	<u>64,810</u>	<u>64,810</u>

The tax rate at which dividends have been franked is 27.5% (2016: 30%).

# Sarina and District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

<b>Note 20. Dividends paid or provided (continued)</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>b. Franking account balance</b>		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	168,240	193,438
- franking debits that will arise from refund of income tax as at the end of the financial year	(13,894)	(28,666)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	154,346	164,772
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	<u>154,346</u>	<u>164,772</u>

<b>Note 21. Earnings per share</b>		
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	40,202	59,592
	<b>Number</b>	<b>Number</b>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	720,109	720,109

### **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.

# Sarina and District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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### Note 24. Community Enterprise Foundation

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During the period the company contributed funds to the Community Enterprise Foundation (CEF), the philanthropic arm of the Bendigo and Adelaide Bank Group. These contributions form part of charitable donations and sponsorship expenditure included in the Statement of Profit or Loss and Other Comprehensive Income.

The funds contributed are held by the CEF in trust on behalf of the company and are available for distribution as grants to eligible applicants. The balance of funds held by the CEF as at 30 June 2017 is as follows:

	2017	2016
	\$	\$
Opening balance	267,201	297,031
Contributions	325,096	230,182
Grants paid	(167,905)	(253,260)
Interest	5,352	4,757
Management fees	(14,544)	(11,509)
Balance available for distribution	<u>415,200</u>	<u>267,201</u>

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

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### Note 25. Registered office/Principal place of business

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

Registered Office  
37 Broad Street  
Sarina QLD 4737

Principal Place of Business  
37 Broad Street  
Sarina QLD 4737

# Sarina and District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

### 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.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	288,296	134,448	225,452	350,765	-	-	-	-	-	409	1.04	1.05
Receivables	-	-	-	-	-	-	-	-	55,828	52,566	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	13,263	7,478	-	13,263	-	-	-	-	0.39	0.17
Payables	-	-	-	-	-	-	-	-	10,911	5,215	N/A	N/A

#### 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 2017, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2017	2016
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	5,005	4,645
Decrease in interest rate by 1%	(5,005)	(4,645)
Change in equity		
Increase in interest rate by 1%	5,005	4,645
Decrease in interest rate by 1%	(5,005)	(4,645)

# Sarina and District Community Financial Services Limited

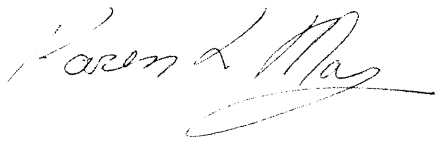
## Directors' Declaration

In accordance with a resolution of the directors of Sarina and District 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 2017 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.



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Karen Lesley May, Chair

Signed on the 25th of August 2017.



## Independent auditor's report to the members of Sarina and District Community Financial Services Limited

### Report on the audit of the financial statements

#### Our opinion

In our opinion, the financial report of Sarina and District 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 2017 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards.

#### What we have audited

Sarina and District 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.

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.

### **Report on the remuneration report**

We have audited the remuneration report included in the directors' report for the year ended 30 June 2017. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### **Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Sarina and District Community Financial Services Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

There are no key audit matters to disclose for the 30 June 2017 audit.

### **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: 25 August 2017



**David Hutchings**  
Lead Auditor