

East Gosford & Districts Financial Services Limited

ABN: 90 092 538 620

Interim Financial Report

For the Half-Year Ended 31 December 2018

East Gosford & Districts Financial Services Limited
ABN 90 092 538 620
Directors' Report

Your directors submit the financial report of the company for the half year ended 31 December 2018.

Directors

The names of directors who held office during or since the end of the half-year:

Garry Morris
Jim Chaplin (Resigned 6 November 2018)
John Coman
Sue Chidgey (Resigned 5 February 2019)
Trevor Gerdson
Ken Howes
Scott Evans (Appointed 6 July 2018)
Mark Holton (Appointed 5 February 2019)
Brian Lindbeck

Principal activities

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

Review and results of operations

Operations have continued to perform in line with expectations. The net profit of the company for the financial period was \$87,605 (2017 profit: \$96,066)

Matters subsequent to the end of the reporting period

There are no matters or circumstances that have arisen since the end of the half year reporting period 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.

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 period under review not otherwise disclosed in this report.

Auditor's independence declaration

The auditor's independence declaration under Section 307C of the *Corporations Act 2001* is set out on page 2 for the half year ended 31 December 2018.

The director's report is signed in accordance with a resolution of the Board of Directors at East Gosford on 5 March 2019.



.....
Garry Morris
Director

Dated: 5 March 2019

Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of East Gosford & Districts Financial Services Limited

I declare that, to the best of my knowledge and belief, during the period ended 31 December 2018 there have been no contraventions of:

- (i) The auditor independence requirements set out in the *Corporations Act 2001* in relation to the review; and
- (ii) Any applicable code of professional conduct in relation to the review.

RSD Audit



Kathie Teasdale
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 8 March 2019

East Gosford & Districts Financial Services Limited
ABN 90 092 538 620
Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2018

| | Half-Year Ended 31 December 2018 \$ | Half-Year Ended 31 December 2017 \$ |
|--|---|---|
| Revenue | 1,153,797 | 1,140,266 |
| Expenses | | |
| Employment expenses | 647,775 | 662,608 |
| Depreciation and amortisation | 32,104 | 22,618 |
| Occupancy expenses | 124,925 | 110,342 |
| Marketing and advertising | 35,528 | 30,289 |
| IT expenses | 30,940 | 27,554 |
| Frieght, cartage and delivery | 9,098 | 11,888 |
| Insurance | 18,615 | 18,252 |
| Bad Debts | 527 | 64 |
| Other Expenses | 77,280 | 116,744 |
| | <u>976,792</u> | <u>1,000,359</u> |
| Profit before charitable donations & sponsorship | <u>177,005</u> | <u>139,907</u> |
| Charitable donations and sponsorship | 55,873 | 19,270 |
| Profit before income tax | <u>121,132</u> | <u>120,637</u> |
| Income tax expense | 33,527 | 24,571 |
| Profit for the period | <u>87,605</u> | <u>96,066</u> |
| Other comprehensive income | - | - |
| Total comprehensive income for the period | <u><u>87,605</u></u> | <u><u>96,066</u></u> |
| Profit attributable to members of the company | 87,605 | 96,066 |
| Total comprehensive income attributable to members of the company | <u><u>87,605</u></u> | <u><u>96,066</u></u> |
| Earnings per share (cents per share) | | |
| - basic earnings per share | 8.81 | 9.66 |

The accompanying notes form part of these financial statements

East Gosford & Districts Financial Services Limited

ABN 90 092 538 620

Statement of Financial Position
as at 31 December 2018

| | As at 31 December 2018 \$ | As at 30 June 2018 \$ |
|--------------------------------------|---------------------------------|-----------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 453,091 | 410,579 |
| Trade and other receivables | 219,494 | 207,631 |
| Financial assets | 214,729 | 215,440 |
| Other assets | 20,956 | 24,308 |
| Total Current Assets | 908,270 | 857,958 |
| Non-Current Assets | | |
| Financial Assets | 23,371 | 17,961 |
| Property, plant and equipment | 130,053 | 133,521 |
| Intangible assets | 71,237 | 80,073 |
| Deferred tax assets | 76,416 | 77,933 |
| Total Non-Current Assets | 301,077 | 309,488 |
| Total Assets | 1,209,347 | 1,167,446 |
| LIABILITIES | | |
| Current Liabilities | | |
| Trade and other payables | 83,239 | 112,297 |
| Provisions | 264,463 | 265,897 |
| Current tax payable | 46,708 | 37,946 |
| Total Current Liabilities | 394,410 | 416,140 |
| Non-Current Liabilities | | |
| Provisions | 16,120 | 14,251 |
| Total Non-Current Liabilities | 16,120 | 14,251 |
| Total Liabilities | 410,530 | 430,391 |
| Net Assets | 798,817 | 737,055 |
| Equity | | |
| Issued capital | 709,669 | 709,669 |
| Retained earnings | 89,148 | 27,386 |
| Total Equity | 798,817 | 737,055 |

The accompanying notes form part of these financial statements

Statement of Changes in Equity
for the half-year ended 31 December 2018

| | Note | Issued capital \$ | Retained earnings \$ | Total equity \$ |
|---|------|-------------------------|----------------------------|-----------------------|
| Balance at 1 July 2018 (reported) | | 709,669 | 27,386 | 737,055 |
| Change due to the adoption of AASB 9 | | - | 4,001 | 4,001 |
| Balance at 1 July 2018 (restated) | | <u>709,669</u> | <u>31,387</u> | <u>741,056</u> |
| <i>Comprehensive income for the year</i> | | | | |
| Profit for the year | | - | 87,605 | 87,605 |
| <i>Transactions with owners in their capacity as owners</i> | | | | |
| Dividends paid or provided | 4 | - | (29,844) | (29,844) |
| Balance at 31 December 2018 | | <u><u>709,669</u></u> | <u><u>89,148</u></u> | <u><u>798,817</u></u> |
| Balance at 1 July 2017 | | 709,669 | (56,990) | 652,679 |
| <i>Comprehensive income for the year</i> | | | | |
| Profit for the year | | - | 96,066 | 96,066 |
| <i>Transactions with owners in their capacity as owners</i> | | | | |
| Dividends recognised for the period | 4 | - | (24,871) | (24,871) |
| Balance at 31 December 2017 | | <u><u>709,669</u></u> | <u><u>14,205</u></u> | <u><u>723,874</u></u> |

The accompanying notes form part of these financial statements

East Gosford & Districts Financial Services Limited
ABN 90 092 538 620
Statement of Cash Flows
for the half-year ended 31 December 2018

| | Half-Year Ended 31 December 2018 \$ | Half-Year Ended 31 December 2017 \$ |
|--|---|---|
| Cash Flows From Operating Activities | | |
| Receipts from customers | 1,250,365 | 1,132,290 |
| Interest received | 5,718 | 8,150 |
| Payments to suppliers and employees | (1,139,873) | (1,014,528) |
| Income tax paid | (24,765) | - |
| Net cash flows provided by operating activities | <u>91,445</u> | <u>125,912</u> |
| Cash Flows From Investing Activities | | |
| Purchase of property, plant and equipment | - | (13,097) |
| Purchase of intangible assets | (19,800) | - |
| Proceeds from disposal of financial assets | 711 | - |
| Net cash flows used in investing activities | <u>(19,089)</u> | <u>(13,097)</u> |
| Cash Flows From Financing Activities | | |
| Dividends paid | (29,844) | (24,871) |
| Net cash flows used in financing activities | <u>(29,844)</u> | <u>(24,871)</u> |
| Net increase in cash held | <u>42,512</u> | <u>87,944</u> |
| Cash and cash equivalents at beginning of period | 410,579 | 242,001 |
| Cash and cash equivalents at end of period | <u><u>453,091</u></u> | <u><u>329,945</u></u> |

The accompanying notes form part of these financial statements

**Notes to the Financial Statements
for the half-year ended 31 December 2018**

1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2018 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of East Gosford & Districts Financial Services Limited ("the Company"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2018, together with any public announcements made during the following half-year.

(b) Accounting policies

With the exception of the below, the interim 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 financial statements. The nature and effect of changes arising from these standards are summarised in the section below.

New standards adopted as at 1 July 2018

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 balance of retained earnings 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 AASB 9, 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.

The adoption of AASB 9 has mostly impacted the following area:

The classification and measurement of the entity's equity investments in listed entities - the entity holds financial assets to hold and collect the associated cash flows. The majority of investments were previously classified as available-for-sale (AFS) investments are now measured at fair value through profit or loss (FVTPL) as the cash flows are not solely payments of principal and interest (SPPI).

**Notes to the Financial Statements
for the half-year ended 31 December 2018**

(b) Accounting policies (continued)

Impact of standards issued but not yet applied by the entity

AASB 16 Leases

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value 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 \$199,369. 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.

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.

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).

**Notes to the Financial Statements
for the half-year ended 31 December 2018**

(b) Accounting policies (continued)

Change in accounting policies (continued)

Financial Instruments (continued)

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)
- b) 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.

Financial assets at fair value through profit or loss

All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments. Investments in equity instruments fall into this category unless the company irrevocably elects at inception to account as FVTOCI.

The entity does not classify any financial assets at FVTOCI.

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.

Classification and measurement of financial liabilities

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.

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.

East Gosford & Districts Financial Services Limited
ABN 90 092 538 620
Notes to the Financial Statements
for the half-year ended 31 December 2018

(b) Accounting policies (continued)

Change in accounting policies (continued)

Financial Instruments (continued)

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 | 207,631 | 207,631 |
| Term deposits | Held to maturity | Amortised cost | 215,440 | 215,440 |
| Listed shares | Available for sale | FVTPL | 17,961 | 23,479 |
| Financial Liabilities | | | | |
| Trade and other payables | Amortised cost | Amortised cost | 83,239 | 112,297 |

The effect of classification changes arising from transitioning from AASB 139 to AASB 9 are shown below:

| | Retained Earnings (\$) |
|--------------------------------|---------------------------------------|
| Opening balance under AASB 139 | 27,386 |
| Reclassified from AFS to FVTPL | 4,001 |
| Opening balance under AASB 9 | 31,387 |

(c) Critical accounting estimates and judgements

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Company's last annual financial statements for the year ended 30 June 2018.

2. Events after the End of the Interim Period

There have been no events subsequent to reporting date that would materially affect the financial statements at the reporting date.

3. Contingent assets and liabilities

Since the last annual reporting date there has been no material change of any contingent assets or contingent liabilities.

**Notes to the Financial Statements
for the half-year ended 31 December 2018**

| | 2018 \$ | 2017 \$ |
|--|------------|------------|
| 4. Dividends | | |
| A final fully franked dividend of 3 cents per share for the year ended 30 June 2018 was declared in the half year period to 31 December 2018 (2017: 2.5 cents) | 29,844 | 24,871 |
| 5. Earnings per share | | |
| Basic earnings per share (cents) | 8.81 | 9.66 |
| Earnings used in calculating basic earnings per share | 87,605 | 96,066 |
| Weighted average number of ordinary shares used in calculating basic earnings per share. | 994,812 | 994,812 |

6. Fair value measurement

a. Fair Value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

- **Level 1** - Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- **Level 2** - Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3** - Measurements based on unobservable inputs for the asset or liability.

The entity's financial assets measured and recognised at fair value on a **recurring basis** are as follows:

| Fair Value Measurement at 31 December 2018 | | | |
|---|---------------|----------|----------|
| | Level 1 | Level 2 | Level 3 |
| Assets | | | |
| Investments in shares of listed companies | 23,371 | - | - |
| Total | 23,371 | - | - |
| Fair Value Measurements at 30 June 2018 | | | |
| | Level 1 | Level 2 | Level 3 |
| Assets | | | |
| Investments in shares of listed companies | 17,961 | - | - |
| Total | 17,961 | - | - |

There have been no transfers between the levels of the fair value hierarchy during the period to 31 December 2018.

East Gosford & Districts Financial Services Limited
ABN 90 092 538 620
Notes to the Financial Statements
for the half-year ended 31 December 2018

6. Fair value measurement (continued)

b. Valuation techniques

In the absence of an active market for an identical asset or liability, the Company selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Company are consistent with one or more of the following valuation approaches:

- *Market approach* uses prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach* converts estimates future cash flows or income and expenses into a single discounted present value.
- *Cost approach* reflects the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Investments in shares of listed companies

Fair values have been determined by reference to their quoted bid prices at the reporting date.

East Gosford & Districts Financial Services Limited
ABN 90 092 538 620
Directors Declaration
for the half-year ended 31 December 2018

In accordance with a resolution of the Directors of East Gosford & Districts Financial Services Limited, the Directors of the

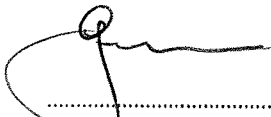
(1) The financial statements and notes, as set out on pages 3 to 12 are in accordance with the *Corporations Act 2001*, including:

(a) complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and

(b) giving a true and fair view of the company's financial position as at 31 December 2018 and of its performance for the half-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 declaration is made in accordance with a resolution of the Board of Directors.


.....
Garry Morris
Director

Signed at East Gosford on 5 March 2019

Independent Auditor's Review Report

To the shareholders of East Gosford & Districts Financial Services Limited

Report on the half-year financial report

We have reviewed the accompanying Interim Financial Report of East Gosford & Districts Financial Services Limited.

The Interim Financial Report comprises the interim statement of financial position as at 31 December 2018, the interim statement of profit or loss and other comprehensive income, interim statement of changes in equity and interim statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

The interim period is the six months ended on 31 December 2018.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of East Gosford & Districts Financial Services Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including:

- giving a true and fair view of the company's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of East Gosford & Districts Financial Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the review of the half-year financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of East Gosford & Districts Financial Services Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

A handwritten signature in blue ink, appearing to read 'Kathie Teasdale'.

Kathie Teasdale
Partner
RSD Audit

Dated: 8 March 2019