

Sandringham Community Financial Services Limited

ABN: 86 099 131 192

Financial Report

For the year ended 30 June 2018

Sandringham Community Financial Services Limited
ABN 86 099 131 192
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Sandringham Community Financial Services Limited
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Directors' report

The Directors present their report of the company for the financial year ended 30 June 2018.

Directors

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

Name and position held	Qualifications	Experience and Other Directorships
Graham Manson Ludecke Director since August 2009 Chairman	SF Fin, MAICD	Retired Banker. Held senior banking positions with the National Australia Bank including international postings in Europe and the USA. Currently, Director of Bentleigh Bayside Community Health, President, Black Rock Sports Auxiliary Inc. Life Governor, Sandringham Hospital 1981. Past Directorships include CRAA, Data Advantage Ltd, Southern Family Life, NGV Foundation, Sandringham Hospital, Australian Banking Industry Ombudsman Ltd. Past member of Alfred Health, Community Advisory Committee and Southern Health, Community Advisory Committee.
Michael John Davies Director since January 2008 Director	FAIM, AMAMI	Formally Group President and Director of ITW Australia, Asia Pacific and subsidiary companies. Director of Victoria Carpet Company Pty Ltd, Quest Pty Ltd, HGS Pty Ltd and Sutton Tools Pty Ltd.
Glen Hay Kruger Director since February 2011 Director	MBA	20 years experience at senior management level in the not-for-profit area, currently Executive Director of Aries Technology Australia Pty Ltd. Also currently a director of Caroline Chisholm Education Foundations
Ian Richard Siebert Director since June 2010 Director	B Ec, Dip Tert Ed, MBA, FAIM	10 years experience as a manager and 30 years as a management consultant and Higher Education Leader, Facilitator and Coach.
Felicity Thomlinson Director since June 2014 Retired as Director March 2018	BSc, Dip Fin Serv	Over 14 years experience developing and growing new businesses and channels across a number of start-up and mature businesses primarily in financial services and health.
Cindy Nora Jessica O'Donoghue Director since October 2015 Director, Company Secretary and Treasurer	BComm (Accounting), CPA	Over 15 years accounting and business experience in both Accounting Practise and the Financial Services Industry. In particular, the corporate banking sector in London and Dublin. Held positions in listed companies namely, Lloyds TSB, Mercer HR and Bank of Ireland. Director of the St Mary's Foundation, Hampton.
Amanda May Smyth Director since February 2016 Director	BEconomics	15 years experience both in Australia (David Jones, Big W) and the UK (Austin Reed, Cath Kidston) in Retail Buying. Strong community focus through primary school Parents Associations and Kindergarten Committees.
Caitlin Elizabeth Eves Director since February 2016 Director	Bcomm (Mgt/Marketing)	Over 15 years experience in Marketing, communications and strategy in global and multinational companies as well as direct consulting for small to medium businesses in financial and other sectors. Also currently Director of Strategy and customer service at FM Group Pty Ltd.

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Directors' report

Directors (continued)

Name and position held	Qualifications	Experience and Other Directorships
Sarah Andrews Director since March 2018 Retired as Director August 2018	MBBS(Hons), FRACGP	CH(SA) Doctor since 2005, GP since 2008. Business owner and director of GP clinic. Board Member for Victorian Faculty Board of RACGP since November 2017 (coopted member, now full member).

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings		Audit Committee meetings	
	A	B	A	B
Graham Manson Ludecke	11	10	3	3
Michael John Davies	11	11	N/A	N/A
Glen Hay Kruger	11	11	N/A	N/A
Ian Richard Siebert	11	11	N/A	N/A
Felicity Thomlinson	8	6	N/A	N/A
Cindy Nora Jessica O'Donoghue	11	9	3	3
Amanda May Smyth	11	11	N/A	N/A
Caitlin Elizabeth Eves	11	8	N/A	N/A
Sarah Andrews	4	2	N/A	N/A

A - The number of meetings eligible to attend.

B - The number of meetings attended.

N/A - not a member of that committee.

Company Secretary

Cindy O'Donoghue has been the Company Secretary of Sandringham Community Financial Services Limited since 1 August 2015.

Cindy O'Donoghue's qualifications and experience includes a Bachelor of Commerce (Accounting) degree and she is also a qualified Certified Practising Accountant (CPA) of Australia since 2001. Cindy has over 15 years experience in both accounting practise and the Financial Services sector in London and Dublin. She has held positions in listed companies, namely Lloyds TSB, Mercer HR and Bank of Ireland.

Cindy became a Director of the company on 1 October 2015 and was paid \$15,000 plus superannuation guarantee in regard to her role as the company's accountant and company secretary.

Principal activities

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

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

Review of operations

The loss of the company for the financial year after provision for income tax was \$245,619 (2017 profit: \$37,467). The loss was created solely due to the final donation to Sandringham Hospital towards the creation of the Sandringham Community Bank Day Procedure Centre. \$360,000 was the final payment made during this financial year.

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Directors' report

Dividends

A fully franked final dividend of 6 cents per share (\$36,601) was declared and paid during the year for the year ended 30 June 2018. No dividend has been declared or paid for the year ended 30 June 2018 as yet.

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

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

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

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set at page 7 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

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Directors' report

Non-audit services

The Board of Directors, in accordance with advice from the Audit Committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 3 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- none of the services undermine the general principles relating to Auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Remuneration report

Remuneration policy

The remuneration policy of Sandringham Community Financial Services Limited has been designed to align key management personnel (KMP) objectives with shareholder and business objectives. The Board believe the remuneration policy to be appropriate and effective. The following criteria is applied to determine the remuneration of the Directors:

- (a) The board policy for determining the nature and amount of remuneration is as follows:
 - i. Attends a minimum of 6 face-to-face board meetings;
 - ii. Attends the Annual General Meeting and one other Community Bank activity; and
- (b) The prescribed details up to the 30 June 2018 in relation to the remuneration of:
 - i. Each Director of the Company received \$2,500.

The Board reviews its performance on an annual basis.

Remuneration benefits and payments

Other than detailed below, no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

The Sandringham Community Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank®** Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be \$17 for the year ended 30 June 2018. The estimated benefit per Director is as follows:

Cindy Nora Jessica O'Donoghue

2018
\$
17
17

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Directors' report

Remuneration report (continued)

Directors Fees

The remuneration paid to each director during the year is as follows:

	2018
	\$
Graham Mason Ludecke	2,500
Michael John Davies	2,500
Glen Hay Kruger	2,500
Ian Richard Siebert	2,500
Felicity Thomlinson (retired 26 March 2018)	1,875
Cindy Nora Jessica O'Donoghue	2,500
Amanda May Smyth	2,500
Caitlin Elizabeth Eves	2,500
Sarah Andrews (appointed March 2018, retired August 18)	625
	<u>20,000</u>

Equity holdings of key management personnel

The number of ordinary shares in the company held during the financial year and prior year by each Director and other key management personnel, including their related parties, are set out below:

Name	Balance at 30 June 2017	Net change in holdings	Balance at 30 June 2018
Directors			
Graham Manson Ludecke	6,500	-	6,500
Michael John Davies	1,000	-	1,000
Total	7,500	-	7,500

Loans to key management personnel

There were no loans to key management personnel during the current or prior reporting period.

Signed in accordance with a resolution of the Board of Directors at Sandringham on 17 September 2018.


Graham Ludecke
Director

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 there have been no contraventions of:

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

RSD Audit



Kathie Teasdale
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 18 September 2018

Sandringham Community Financial Services Limited
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Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2018

	Note	2018 \$	2017 \$
Revenue			
	2	919,775	877,964
Expenses			
Employee benefits expense	3	(425,709)	(405,339)
Depreciation and amortisation	3	(36,965)	(35,519)
Bad and doubtful debts expense	3	(3,529)	(719)
Marketing expenses		(43,851)	(30,045)
IT costs		(45,881)	(45,416)
Rental expenses		(60,000)	(52,065)
Rates (town/water/land tax)		(15,080)	(15,477)
Insurance expenses		(12,875)	(13,157)
Auditors remuneration	3	(4,940)	(5,162)
Other expenses		<u>(100,184)</u>	<u>(96,203)</u>
		(749,014)	(699,102)
Operating profit before charitable donations & sponsorship		170,761	178,862
Charitable donations and sponsorships		<u>(416,380)</u>	<u>(126,705)</u>
Profit/(loss) before before income tax		(245,619)	52,157
Income tax (expense)/benefit	4	<u>1,330</u>	<u>(14,690)</u>
Profit/(loss) for the year after income tax		(244,289)	37,467
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>(244,289)</u>	<u>37,467</u>
Profit/(loss) attributable to members of the company		(244,289)	37,467
Total comprehensive income attributable to members of the company		<u>(244,289)</u>	<u>37,467</u>
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	16	(40.05)	6.14

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

Sandringham Community Financial Services Limited
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Statement of Financial Position
as at 30 June 2018

	Note	2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents	5	425,007	717,725
Trade and other receivables	6	97,481	82,626
Investments and Other financial assets	7	33,506	32,944
Current tax asset	4	11,947	2,785
Total current assets		567,941	836,080
Non-current assets			
Plant and equipment	8	22,158	41,942
Intangible assets	9	55,039	1,923
Deferred tax assets	4	24,621	23,848
Total non-current assets		101,818	67,713
Total assets		669,759	903,793
Liabilities			
Current liabilities			
Trade and other payables	11	41,610	37,166
Provisions	12	80,758	80,445
Total current liabilities		122,368	117,611
Non-current liabilities			
Trade and other payables	11	39,629	-
Provisions	12	9,264	6,794
Total non-current liabilities		48,893	6,794
Total liabilities		171,261	124,405
Net assets		498,498	779,388
Equity			
Issued capital	13	518,507	518,507
Retained earnings/(Accumulated losses)	14	(20,009)	260,881
Total equity		498,498	779,388

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

Sandringham Community Financial Services Limited
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Statement of Changes in Equity
for the year ended 30 June 2018

	Note	Issued capital \$	Retained earnings/ (Accumulated losses) \$	Total equity \$
Balance at 1 July 2017		518,507	260,881	779,388
<i>Comprehensive income for the year</i>				
Loss for the year		-	(244,289)	(244,289)
<i>Transactions with owners in their capacity as owners</i>				
Dividends paid or provided	15	-	(36,601)	(36,601)
Balance at 30 June 2018		<u>518,507</u>	<u>(20,009)</u>	<u>498,498</u>
Balance at 1 July 2016		518,507	260,015	778,522
<i>Comprehensive income for the year</i>				
Profit for the year		-	37,467	37,467
<i>Transactions with owners in their capacity as owners</i>				
Dividends paid or provided	15	-	(36,601)	(36,601)
Balance at 30 June 2017		<u>518,507</u>	<u>260,881</u>	<u>779,388</u>

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

Sandringham Community Financial Services Limited
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Statement of Cash Flows
for the year ended 30 June 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		892,488	869,898
Payments to suppliers and employees		(1,134,411)	(785,368)
Dividends received		562	536
Interest received		11,870	13,305
Income tax paid		(8,605)	(17,999)
Net cash flows from/(used in) operating activities	17b	<u>(238,096)</u>	<u>80,372</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,250)	(1,329)
Purchase of investments		(562)	(536)
Purchase of intangible assets		(13,209)	-
Net cash flows used in investing activities		<u>(18,021)</u>	<u>(1,865)</u>
Cash flows from financing activities			
Dividends paid		(36,601)	(36,601)
Net cash flows used in financing activities		<u>(36,601)</u>	<u>(36,601)</u>
Net increase/(decrease) in cash held		(292,718)	41,906
Cash and cash equivalents at beginning of financial year		717,725	675,819
Cash and cash equivalents at end of financial year	17a	<u>425,007</u>	<u>717,725</u>

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

Sandringham Community Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2018

These financial statements and notes represent those of Sandringham Community Financial Services Limited.

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

The financial statements were authorised for issue by the Directors on 17 September 2018.

1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Economic dependency

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

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

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

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

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branches;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

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Notes to the Financial Statements
for the year ended 30 June 2018

1. Summary of significant accounting policies (continued)

(b) Impairment of assets

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

(c) Goods and services tax (GST)

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

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

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

(d) Comparative figures

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

(e) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

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

Fair value assessment of non-current physical assets

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

1. Summary of significant accounting policies (continued)

(e) Critical accounting estimates and judgements (continued)

Employee benefits provision

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

Income tax

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

Impairment

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

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

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

(g) New accounting standards for application in future periods

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

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

(i) AASB 9 *Financial Instruments* and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- a) Financial assets that are debt instruments will be classified based on:
 - (i) the objective of the entity's business model for managing the financial assets; and
 - (ii) the characteristics of the contractual cash flows.
- b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

1. Summary of significant accounting policies (continued)

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
- the remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

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

(g) New accounting standards for application in future periods (continued)

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

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

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

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Notes to the Financial Statements
for the year ended 30 June 2018

1. Summary of significant accounting policies (continued)

(iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019)

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

Sandringham Community Financial Services Limited

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**Notes to the Financial Statements
for the year ended 30 June 2018**

2. Revenue

	2018 \$	2017 \$
Revenue		
- service commissions	897,343	846,623
- market development fund	10,000	17,500
	<u>907,343</u>	<u>864,123</u>
Other revenue		
- interest received	11,870	13,305
- other revenue	562	536
	<u>12,432</u>	<u>13,841</u>
Total revenue	<u><u>919,775</u></u>	<u><u>877,964</u></u>

Revenue arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The entity applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction.

Rendering of services

The entity generates service commissions on a range of products issued by the Bendigo and Adelaide Bank Limited. The revenue includes upfront and trailing commissions, sales fees and margin fees.

Interest, dividend and other income

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

Dividend and other revenue is recognised when the right to the income has been established.

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

3. Expenses

	2018 \$	2017 \$
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	357,656	335,664
- superannuation costs	39,125	34,572
- other costs	28,928	35,103
	<u>425,709</u>	<u>405,339</u>
Depreciation and amortisation		
<i>Depreciation</i>		
- plant and equipment	24,034	23,982
	<u>24,034</u>	<u>23,982</u>
Amortisation		
- franchise fees	12,931	11,537
Total depreciation and amortisation	<u><u>36,965</u></u>	<u><u>35,519</u></u>

Sandringham Community Financial Services Limited

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**Notes to the Financial Statements
for the year ended 30 June 2018**

3. Expenses (continued)

	2018 \$	2017 \$
Bad and doubtful debts expenses	3,529	719
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	4,940	5,162

Operating expenses

Operating expenses are recognised in profit or loss on an accruals basis, which is typically upon utilisation of the service or at the date upon which the entity becomes liable.

Depreciation

The depreciable amount of all fixed assets, is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use.

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

<i>Class of asset</i>	<i>Rate</i>	<i>Method</i>
Plant and equipment	5 - 33%	Diminishing value

4. Income tax

	2018 \$	2017 \$
a. The components of tax expense comprise:		
Current tax expense	-	15,875
Deferred tax expense	(773)	(975)
Under / (over) provision of prior years	(557)	(210)
	<u>(1,330)</u>	<u>14,690</u>

b. Prima facie tax payable

The prima facie tax on profit / (loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit / (loss) before income tax at 27.5% (2017: 27.5%)	(67,545)	14,865
Add tax effect of:		
- Under / (over) provision of prior years	(557)	(210)
- Donations	66,772	35

Income tax attributable to the entity

<u>(1,330)</u>	<u>14,690</u>
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The applicable weighted average effective tax rate is:

0.54%	28.16%
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c. Current tax liability

Current tax relates to the following:

Current tax assets

Opening balance	(2,785)	(451)
Income tax paid	(8,605)	(17,999)
Current tax	-	15,875
Under / (over) provision prior years	(557)	(210)
	<u>(11,947)</u>	<u>(2,785)</u>

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**Notes to the Financial Statements
for the year ended 30 June 2018**

4. Income tax (continued)

d. Deferred tax asset

Deferred tax relates to the following:

Deferred tax assets comprise:

Accrued income	(135)	(143)
Employee provisions	24,756	23,991
Net deferred tax asset	<u>24,621</u>	<u>23,848</u>

e. Deferred income tax included in income tax expense comprises:

Decrease / (increase) in deferred tax assets	(765)	(957)
(Decrease) / increase in deferred tax liabilities	(8)	(17)
	<u>(773)</u>	<u>(974)</u>

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

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

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

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

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

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**Notes to the Financial Statements
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5. Cash and cash equivalents

	2018	2017
	\$	\$
Cash at bank and on hand	100,088	100,279
Short-term bank deposits	324,919	617,446
	<u>425,007</u>	<u>717,725</u>

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less.

The effective interest rate on short-term bank deposits was 2% (2017: 2.05%); these deposits have an average maturity of 60 days.

6. Trade and other receivables

	2018	2017
	\$	\$
Current		
Trade receivables	75,726	75,519
Other receivables	21,755	7,107
	<u>97,481</u>	<u>82,626</u>

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

Sandringham Community Financial Services Limited

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**Notes to the Financial Statements
for the year ended 30 June 2018**

6. Trade and other receivables (continued)

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

	Gross amount \$	Not past due \$	Past due but not impaired			Past due and impaired \$
			< 30 days \$	31-60 days \$	> 60 days \$	
2018						
Trade receivables	75,726	-	-	-	-	75,726
Other receivables	21,755	-	-	-	-	21,755
Total	97,481	-	-	-	-	97,481
2017						
Trade receivables	75,519	-	-	-	-	75,519
Other receivables	7,107	-	-	-	-	7,107
Total	82,626	-	-	-	-	82,626

7. Investments and Other financial assets

	2018 \$	2017 \$
<i>Held to maturity financial assets</i>		
Australian term deposits > 3 months	24,668	24,668
<i>Available for sale financial assets</i>		
Listed investments	8,838	8,276
	<u>33,506</u>	<u>32,944</u>

(a) Classification of financial assets

The company classifies its financial assets in the following categories:

- loans and receivables,
- held to maturity investments, and
- available for sale assets.

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

Loans and receivables

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

Held to maturity investments

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

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

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

7. Investments and Other financial assets (continued)

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Notes to the Financial Statements
for the year ended 30 June 2018

(a) Classification of financial assets (continued)

Available for sale financial asset

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(b) Measurement of financial assets

At initial recognition, the entity measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Held-to-maturity investments are subsequently carried at amortised cost using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

Available-for-sale financial assets subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised in other comprehensive income.

(c) Impairment of financial assets

The entity assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

7. Investments and Other financial assets (continued)

Sandringham Community Financial Services Limited

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**Notes to the Financial Statements
for the year ended 30 June 2018**

(c) Impairment of financial assets (continued)

Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(d) Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

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Notes to the Financial Statements
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8. Plant and equipment

	2018			2017		
		\$			\$	
	At cost	Accumulated depreciation	Written down value	At cost	Accumulated depreciation	Written down value
Plant and equipment	209,951	(187,793)	22,158	205,701	(163,759)	41,942
Total plant and equipment	209,951	(187,793)	22,158	205,701	(163,759)	41,942

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

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

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

(a) Capital expenditure commitments

The entity does not have any capital expenditure commitments at 30 June 2018 (2017: None)

Sandringham Community Financial Services Limited
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Notes to the Financial Statements
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8. Plant and equipment (continued)

(b) Movements in carrying amounts of P&E

2018

Plant and equipment
Total plant and equipment

Opening written down value	Additions	Depreciation	Closing written down value
41,942	4,250	(24,034)	22,158
41,942	4,250	(24,034)	22,158

2017

Plant and equipment
Total plant and equipment

Opening written down value	Additions	Depreciation	Closing written down value
64,595	1,329	(23,982)	41,942
64,595	1,329	(23,982)	41,942

9. Intangible assets

	2018 \$			2017 \$		
	At cost	Accumulated amortisation	Written down value	At cost	Accumulated amortisation	Written down value
Franchise fees	123,733	(68,694)	55,039	57,686	(55,763)	1,923
Total intangible assets	123,733	(68,694)	55,039	57,686	(55,763)	1,923

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

Movements in carrying amounts

	2018				2017			
	Opening written down value	Additions	Amortisation	Closing written down value	Opening written down value	Amortisation	Closing written down value	
2018								
Franchise fees	1,923	66,047	(12,931)	55,039	13,460	(11,537)	1,923	
Total intangible assets	1,923	66,047	(12,931)	55,039	13,460	(11,537)	1,923	

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**Notes to the Financial Statements
for the year ended 30 June 2018**

10. Financial liabilities

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

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

11. Trade and other payables

	2018 \$	2017 \$
Current		
<i>Unsecured liabilities:</i>		
Trade creditors	47,994	26,884
GST Payable/(receivable)	(19,593)	10,282
Franchise fee	13,209	-
	<u>41,610</u>	<u>37,166</u>
Non-Current		
<i>Unsecured liabilities:</i>		
Franchise fee	39,629	-
	<u>39,629</u>	<u>-</u>
Total Trade and Other Payables	<u><u>81,239</u></u>	<u><u>37,166</u></u>

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

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

12. Provisions

	2018 \$	2017 \$
Current		
Employee benefits	80,758	80,445
Non-current		
Employee benefits	9,264	6,794
Total provisions	<u><u>90,022</u></u>	<u><u>87,239</u></u>

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

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**Notes to the Financial Statements
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12. Provisions (continued)

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

13. Share capital

	2018 \$	2017 \$
610,008 Ordinary shares fully paid	518,507	518,507
	<u>518,507</u>	<u>518,507</u>

Ordinary shares are classified as equity.

(a) Movements in share capital

Fully paid ordinary shares:

At the beginning of the reporting period

Shares issued during the year

At the end of the reporting period

518,507	518,507
-	-
<u>518,507</u>	<u>518,507</u>

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

(b) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

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

(i) the Distribution Limit is the greater of:

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

(b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

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**Notes to the Financial Statements
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14. Retained earnings/(Accumulated losses)

	2018	2017
	\$	\$
Balance at the beginning of the reporting period	260,881	260,015
Profit/(loss) for the year after income tax	(244,289)	37,467
Dividends paid	(36,601)	(36,601)
Balance at the end of the reporting period	<u>(20,009)</u>	<u>260,881</u>

15. Dividends paid or provided for on ordinary shares

	2018	2017
	\$	\$
Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 6 cents per share (2017:6 cents) franked at the tax rate of 27.5% (2017: 27.5%).	36,601	36,601

16. Earnings per share

	2018	2017
	\$	\$
Basic earnings per share (cents)	(40.05)	6.14
Earnings used in calculating basic earnings per share	(244,289)	37,467
Weighted average number of ordinary shares used in calculating basic earnings per share.	610,008	610,008

Basic earnings per share

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

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Notes to the Financial Statements
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17. Statement of cash flows

	2018 \$	2017 \$
(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:		
Cash and cash equivalents (Note 5)	425,007	717,725
As per the Statement of Cash Flow	<u>425,007</u>	<u>717,725</u>
(b) Reconciliation of cash flow from operations with loss after income tax		
Profit/(loss) for the year after income tax	(244,289)	37,467
Non-cash flows in profit		
- Depreciation and amortisation	36,965	35,519
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(14,855)	5,773
- (Increase) / decrease in deferred tax asset	(773)	(975)
- Increase / (decrease) in trade and other payables	(8,765)	1,440
- Increase / (decrease) in current tax liability	(9,162)	(2,334)
- Increase / (decrease) in provisions	2,783	3,481
Net cash flows from / (used in) operating activities	<u>(238,096)</u>	<u>80,371</u>

18. Key management personnel and related party disclosures

(a) Key management personnel

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

The totals of remuneration paid to key management personnel of the company during the year are as follows:

	2018 \$	2017 \$
Short-term employee benefits	20,000	17,600
Total key management personnel compensation	<u>20,000</u>	<u>17,600</u>

Remuneration includes:

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other key management personnel.

(b) Other related parties

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

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**Notes to the Financial Statements
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18. Key management personnel and related party disclosures (continued)

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company.

During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

Name of related party	Description of services provided	Value \$
Caitlin Eves (Director)	Consultancy Services (Marketing)	2,750
Cindy O'Donoghue (Director)	Secretarial Services	15,000

The Sandringham Community Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank®** Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits.

The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be \$17 for the year ended 30 June 2018.

The estimated benefits from the Bendigo and Adelaide Bank Limited's **Community Bank®** Directors Privileges package per Director is as follows:

	2018	2017
Cindy Nora Jessica O'Donoghue	17	-
	<u>17</u>	<u>-</u>

(d) Key management personnel shareholdings

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

	2018	2017
Graham Manson Ludecke	6,500	6,500
Michael John Davies	1,000	1,000
	<u>7,500</u>	<u>7,500</u>

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

(e) Other key management transactions

Ian Siebert holds indirectly 1,000 shares into his family superannuation fund, "Davies Siebert Superannuation Fund".

Caitlin Eves provided Consultancy Services during the year earning \$2,750 during this period as approved by the Board of Directors.

19. Events after the reporting period

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

20. Contingent liabilities and contingent assets

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

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**Notes to the Financial Statements
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21. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one area being Sandringham, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2017: 100%).

22. Commitments

Operating lease commitments

	2018	2017
	\$	\$
Payable:		
- no later than 12 months	66,000	66,000
- between 12 months and five years	198,000	264,000
- greater than five years	-	-
Minimum lease payments	264,000	330,000

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

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

23. Company details

The registered office and principal place of business is 75 Station Street, Sandringham, Victoria, 3191.

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**Notes to the Financial Statements
for the year ended 30 June 2018**

24. Financial instrument risk

Financial risk management policies

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

Specific financial risk exposure and management

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

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

	Note	2018 \$	2017 \$
Financial assets			
Cash and cash equivalents	5	425,007	717,725
Trade and other receivables	6	97,481	82,626
Financial assets	7	33,506	32,944
Total financial assets		555,994	833,295
Financial liabilities			
Trade and other payables	11	81,239	37,166
Total financial liabilities		81,239	37,166

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the table above.

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

Sandringham Community Financial Services Limited

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**Notes to the Financial Statements
for the year ended 30 June 2018**

24. Financial instrument risk (continued)

(a) Credit risk (continued)

None of the assets of the company are past due (2017: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

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

Financial liability and financial asset maturity analysis:

30 June 2018	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial assets					
Cash and cash equivalents	1.31%	425,007	425,007	-	-
Trade and other receivables		97,481	97,481	-	-
Financial assets	2.40%	33,506	33,506	-	-
Total anticipated inflows		<u>555,994</u>	<u>555,994</u>	<u>-</u>	<u>-</u>
Financial liabilities					
Trade and other payables		81,239	81,239	-	-
Total expected outflows		<u>81,239</u>	<u>81,239</u>	<u>-</u>	<u>-</u>
Net inflow on financial instruments		<u><u>474,755</u></u>	<u><u>474,755</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Sandringham Community Financial Services Limited

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**Notes to the Financial Statements
for the year ended 30 June 2018**

24. Financial instrument risk (continued)

(b) Liquidity risk (continued)

30 June 2017	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial assets					
Cash and cash equivalents	1.78%	717,725	717,725	-	-
Trade and other receivables		82,626	82,626	-	-
Financial assets	2.40%	32,944	32,944	-	-
Total anticipated inflows		<u>833,295</u>	<u>833,295</u>	<u>-</u>	<u>-</u>
Financial liabilities					
Trade and other payables		37,166	37,166	-	-
Total expected outflows		<u>37,166</u>	<u>37,166</u>	<u>-</u>	<u>-</u>
Net inflow on financial instruments		<u><u>796,129</u></u>	<u><u>796,129</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The entity also has an immaterial other price risk in relation to its listed investments. The company has no exposure to fluctuations in foreign currency

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

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	2018		2017	
	Profit \$	Equity \$	Profit \$	Equity \$
+/- 1% in interest rates (interest income)	4,585	4,585	7,507	7,507
	<u>4,585</u>	<u>4,585</u>	<u>7,507</u>	<u>7,507</u>

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

Sandringham Community Financial Services Limited
ABN 86 099 131 192
Directors' Declaration

In accordance with a resolution of the Directors of Sandringham Community Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 8 to 34 are in accordance with the *Corporations Act 2001* and:
 - (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (ii) give a true and fair view of the company's financial position as at 30 June 2018 and of the performance for the year ended on that date;
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. 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 resolution is made in accordance with a resolution of the Board of Directors.



Graham Ludecke
Director

Signed at Sandringham, Victoria on 17 September 2018.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SANDRINGHAM COMMUNITY FINANCIAL SERVICES LIMITED**

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Sandringham Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion:

- (a) the financial report of Sandringham Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

Independence

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report or the year ended 30 June 2018. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Matter
Taxation	
<p>The application of taxation legislation to the Company's accounts is inherently complex and requires judgement to be exercised in relation to estimating tax exposures and quantifying provisions and liabilities.</p> <p>Further disclosure regarding Taxation can be found at Note 1(f) <i>Critical Accounting Estimates and Judgements</i> and Note 4 <i>Income Tax</i>.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> • Reviewed the income taxation calculations prepared and are satisfied that the calculations are in accordance with the accounting standards and applicable income tax legislation. • Tested the assumptions and forecast taxable income supporting deferred tax assets • Considered the appropriateness of the Company's disclosures regarding current tax matters • Assessed the consistency of assumptions used in estimating provisions and liabilities.
Employee Provisions	
<p>The valuation of employee entitlements are subject to complex estimation techniques and significant judgement. Assumptions required for wage growth and CPI movements, coupled with the estimated likelihood of employees reaching unconditional services is estimated.</p> <p>A small change in assumptions can have a material impact on the financial statements.</p> <p>Further disclosure regarding Employee Provisions can be found at Note 1(f) <i>Critical Accounting Estimates and Judgements</i> and Note 14 <i>Provisions</i>.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> • Reviewed the employee entitlement calculations and are satisfied that they calculations are in accordance with applicable accounting standards. • Tested the accuracy of the calculations and models used to calculate employee entitlement provisions. • Evaluated the assumptions applied in calculating employee entitlements such as the discount rate and the probability of long service leave vesting conditions being met.

Director's Responsibility for the Financial Report

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

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

Auditor's Responsibility

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order

to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. On connection with our audit of the financial report, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

REPORT ON THE AUDIT OF THE REMUNERATION REPORT

Auditor's Opinion on the Remuneration Report

We have audited the remuneration report included in pages 6 of the director's report for the year ended 30 June 2018. The directors of the Company are responsible for the preparation and presentation of the remuneration report and in accordance with s 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.

In our opinion, the remuneration report of Sandringham Community Financial Services Limited, for the year ended 30 June 2018 is in accordance with s300A of the *Corporations Act 2001*.

Responsibilities for the Remuneration Report

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.

RSD Audit
Chartered Accountants

A handwritten signature in blue ink, appearing to be 'Katie Teasdale', written over a faint circular stamp.

Kathie Teasdale
Partner
Bendigo
Dated: 18 September 2018