



# Annual Report 2017

Albany (W.A.) Community  
Financial Services Limited

ABN 77 119 012 510

Albany **Community Bank**<sup>®</sup> Branch

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# Chairperson's report

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For year ending 30 June 2017

On behalf of the Board, I report a strong performance for the Albany **Community Bank**<sup>®</sup> Branch with overall business growth in excess of 15% for the year, growing in all areas by a total of more than \$15 million. In addition to income exceeding budget expectations, the Board's sound and balanced control of expenses has ensured we have again exceeded our profit forecast for the financial year.

Whilst growth has been strong, we recognise there remains significant challenges ahead for us all to ensure we continue to build our business to a level that enables us to reward loyal shareholders through dividend payments, while continuing to invest back into our community in a meaningful way. Since our inception, the Albany **Community Bank**<sup>®</sup> Branch has contributed over \$260,000 back into our local community. This is a great achievement in itself and one that is highly valued by our community.

I would like to take this opportunity to sincerely thank and acknowledge our Branch Manager, Jason Krein and his entire team for their dedication and hard work to achieve such growth. The leadership and commitment within the branch has been the underpinning for the positive results for this financial year. Both the Board and branch staff have begun to work together to achieve our goals. This collaboration has enabled us to work together in planning and set a clear strategic direction to build our business into the future.

I would also like to thank Directors for their energy and commitment to the many volunteer hours they have put into their roles to support the branch. My sincere thanks to both Mike Clutterham and Leon Delpech for their ongoing contribution to the Board. This year, we welcome new Director Johanna Tomlinson and also thank Kendal Inverarity for her contribution. For the first time the Board also welcomed our first Board Associate, Graham Foster.

I would, especially like to thank Keith McLuckie for his passion, energy and commitment to the Board. Keith stepped down as Chairman last year but has continued to support the Board in the Treasurer's role. His knowledge and support has been invaluable. Thank you also to Heather Bateman, our Board administrator for her support throughout the year. Board stability remains a key priority for us as we move into the next financial year and much work has been done in this area. This will become evident over the next financial year.

Finally, I would like to thank our shareholders and customers for their loyal support. By banking with the Albany **Community Bank**<sup>®</sup> Branch they enable us to continue to support our community in so many ways.

Continued growth is essential for us to deliver a return to our shareholder. Further investment in our community and dividend payments can only be achieved by people banking with the Albany **Community Bank**<sup>®</sup> Branch. To do more, we need grow more. As a shareholder, if you are not banking with the Albany **Community Bank**<sup>®</sup> Branch, I would encourage you to contact our Branch Manager Jason Krein to talk about how we may be able to support you and your banking needs.



**Sarah Bowles**  
Chairperson

# Manager's report

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For year ending 30 June 2017

Dear Shareholders,

It is a great pleasure to be writing to you, entering into my second year of my service with Albany Community Financial Services Limited. Last time we spoke I discussed our vision for the branch being passion, focus and determination; that vision has now become a reality. This past financial year has seen amazing results for the company and for the community. It gives me great delight to share the financial results and also to discuss our focus on the year to come.

## **The year that was**

In the 2016/17 financial year, we have seen the book grow by 15% growing from \$103 million to \$118 million. This has been achieved through a growth in;

1. Lending \$3.792 million
2. Deposits \$4.823 million
3. Other Business \$6.154 million.

The Albany **Community Bank**<sup>®</sup> Branch Team and Board have worked incredibly hard on improving the business. This has resulted in the branch exceeding target and achieving a result of 139% of target. Exceeding target any year is exciting, moreover, to over achieve target in a year that has seen challenging economic conditions is amazing.

## **The year to come**

This year, more than ever, we want to see growth within our business and to break the shackles of our overdraft. We have established that we will be concentrating on four key elements thus being;

- Young families and first home buyers
- Rural clients
- Commercial and small business
- Our shareholders.

Keeping to our vision of passion, focus and determination we are looking forward to being truly connected to our customers. With tools such as the Home Loan Connect Package, Rural Bank product partners, new exciting business products, and our new shareholder package we aim to service our customer with great products and also amazing service.

I would urge you as shareholders to make an appointment with the branch to take advantage of our new shareholder package. This has been designed especially for you; to thank you for making our branch possible, and to reward you're for contributing to our success.

I would like to finish by thanking you for your loyalty to our brand and our community. Thank you for being part of something bigger, and thank you for making a difference.

Kind regards,



**Jason Krein**  
**Branch Manager**

# Directors' report

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For the financial year ended 30 June 2017

The Directors present their report of the company for the financial year ended 30 June 2017.

## Directors

The following persons were Directors of Albany (W.A.) Community Financial Services Limited during or since the end of the financial year up to the date of this report:

### **Sarah Maria Bowles**

Chairperson

Occupation: Self employed

Qualifications, experience and expertise: Local Government Representative (2011-2015), Little Grove Primary School P & C Executive, Founder and Secretary of Great Southern Factor Inc (2008-2016), Chair of the Great Southern Food Network (2015-2016), Sponsorship Officer and Vice President of the Albany Surf Life Saving Club, Certificate 4 in Project Management, Bachelor of Nursing, Midwifery and Foundation Four Pty Ltd Director (2017-current). Sarah has now served on the Albany (W.A.) Community Financial Services Ltd Board since February 2016 and took up the role as Chair in November 2016.

Special responsibilities: Chairperson, Regional representative for Joint Regional **Community Bank**<sup>®</sup> branches, Joint Regional **Community Bank**<sup>®</sup> branches Sponsorship Sub-committee, Sponsorship and Community Engagement

Interest in shares: Nil

### **Michael Bernard Clutterham**

Company Secretary

Occupation: State Community Strengthening Manager SA/NT Bendigo Bank

Qualifications, experience and expertise: Mike has worked in the Banking industry for 43 years, 27 with Wales/Westpac and 16 with Bendigo. His last two roles with Bendigo were State Community Strengthening Manager SA/NT. This role was responsible amongst other items, Director Education, assisting **Community Bank**<sup>®</sup> branches and communities leverage matched funding from all levels of government. Prior to the above role Mike was the Regional Manager for SA/NT and was one of the driving forces behind the establishment of 14 **Community Bank**<sup>®</sup> branches.

Special Responsibilities: Company Secretary

Interest in shares: Nil

### **Leon Delpech**

Director

Occupation: Managing Director

Qualifications, experience and expertise: Current: Delpeche – Managing Director, Past: CEO of Useful Inc Community, I Start-up Board advisor ,IBM Australian Strategy Consultant,

Community Groups: Wilson Inlet Catchment Committee, Wine Show of Western Australia

Bachelors of Commence (Economics and Finance) and Communications (Film and Television)

Interest in Shares: Nil

# Directors' report (continued)

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## Directors (continued)

### **Johanna Tomlinson**

Director

Occupation: Project Manager / Farmer

Qualifications, experience and expertise: Johanna has a Bachelor of Environmental Science degree from Murdoch University. She has over 15 years of hands on experience in agriculture, natural resource management and business management. She is passionate about regional communities and the businesses that support them, the environment and in collaborating with likeminded professionals working and living in rural Australia.

Johanna's family operate broadacre farming operations in the Shire of Jerramungup and the City of Albany, where the family are based. In 2015 Johanna started her project management business, Clear South. She works with a range of loyal clients on a variety of projects, centred around communications, organisation and marketing.

Johanna is a dedicated community person who currently represents farmers on the South Coast Natural Resource Management Groups, Land Reference Group and Natural Resource Management Group.

Interest in shares: 2,000

### **Keith James Stirling McLuckie**

Chairman

Resignation: 31 January 2017

Occupation: Banking & Finance

Qualifications, experience and expertise: Mr Keith McLuckie has been working in the banking and finance industry for 35 years with approximately half of that time spent in communities throughout regional and rural Western Australia. He began working within Bendigo Bank's **Community Bank**<sup>®</sup> model in late 1999 and was fortunate to be appointed the inaugural Branch Manager in Tambellup & Cranbrook where he remained for five years. During this time Keith gained a good understanding on how the **Community Bank**<sup>®</sup> model works. Subsequent to this he held various administration positions with the bank and currently undertakes the Statement Community Manager role in WA, working primarily with **Community Bank**<sup>®</sup> branches. Keith has served on numerous Boards and committees over this time holding office bearing roles as well as general committee roles for sporting clubs, community groups and not for profit entities.

Special responsibilities: Chairperson

Interest in shares: 500

### **Robert Golding**

Director

Resignation: 02 September 2016

### **Lucy Bernadette Anderton**

Treasurer

Occupation: Economist

Resignation: 29 September 2016

### **Dennis Wellington**

Director

Resignation: 28 March 2017

### **Kendal Inverarity**

Director

Appointed: 31 January 2017

Resignation: 30 April 2017

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' report (continued)

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## Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings	
	A	B
Sarah Bowles	12	10
Michael Clutterham	12	10
Keith McLuckie	7	6
Lucy Anderton	3	3
Robert Golding	2	0
Dennis Wellington	9	1
Leon Delpech	7	7
Johanna Tomlinson	6	5
Kendel Inverarity	4	3

A - The number of meetings eligible to attend.

B - The number of meetings attended.

## Principal activities

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

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

## Review of operations

The profit of the company for the financial year after provision for income tax was \$44,947 (2016 profit: \$2,556), which is a 1,758% increase as compared with the previous year.

## Dividends

There were no dividends paid or declared since the start of the financial year.

## Options

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

## Significant changes in the state of affairs

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

## 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.

# Directors' report (continued)

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## **Environmental regulations**

The company is not subject to any significant environmental regulation.

## **Indemnifying Officers or Auditor**

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

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

## **Proceedings on behalf of company**

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

## **Auditor independence declaration**

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 8 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Albany on 12 September 2017.



**Sarah Bowles**  
**Director**



# Auditor's independence declaration

4th September 2017

The Board of Directors  
Albany (WA) Community Financial Services Ltd  
PO Box 979  
ALBANY WA 6331

Dear Directors

## AUDITOR'S INDEPENDENCE DECLARATION AS REQUIRED BY SECTION 307C OF THE CORPORATIONS ACT 2001

As lead Auditor for the audit of Albany (WA) Community Financial Services Ltd for the year ended 30 June 2017, I declare to the best of my knowledge and belief, that there have been:

- a) no contraventions of the Auditor independence requirements of the Corporations Act 2001, in the relation to the audit, and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This Declaration is made in respect of Albany (WA) Community Financial Services Ltd during the period of the audit.



Paul Gilbert, FCPA MBA Director  
Macleod Corporation Pty Ltd



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LIABILITY LIMITED BY A SCHEME APPROVED UNDER PROFESSIONAL STANDARDS LEGISLATION

CERTIFIED PRACTISING ACCOUNTANTS

# Financial statements

## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue	2	739,815	673,814
<b>Expenses</b>			
Employee benefits expense	3	(408,772)	(400,367)
Depreciation and amortisation	3	(14,785)	(14,834)
Finance costs	3	(7,908)	(11,314)
Bad and doubtful debts expense	3	(1,082)	(1,971)
Administration and general costs		(97,949)	(89,501)
Occupancy expenses		(72,050)	(68,627)
IT expenses		(21,898)	(23,485)
Other expenses		(11,799)	(12,029)
		<b>(636,243)</b>	<b>(622,128)</b>
<b>Operating profit / (loss) before charitable donations and sponsorships</b>		<b>103,572</b>	<b>51,686</b>
Charitable donations and sponsorships		(25,845)	(23,616)
<b>Profit / (loss) before income tax</b>		<b>77,727</b>	<b>28,070</b>
Income tax expense / benefit	4	(34,230)	(25,515)
<b>Profit/(loss) for the year</b>		<b>43,497</b>	<b>2,555</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>43,497</b>	<b>2,555</b>
Profit / (loss) attributable to members of the company		43,497	2,555
<b>Total comprehensive income attributable to members of the company</b>		<b>43,497</b>	<b>2,555</b>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):</b>			
- basic earnings per share	16	5.09	0.30

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

# Financial statements (continued)

## Statement of Financial Position as at 30 June 2017

	Notes	2017 \$	2016 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	2,445	1,784
Trade and other receivables	6	70,481	71,732
Other assets	7	6,453	745
<b>Total current assets</b>		<b>79,379</b>	<b>74,261</b>
<b>Non-current assets</b>			
Plant and equipment	8	3,770	4,770
Intangible assets	9	54,225	-
Deferred tax assets	4	288,261	322,491
<b>Total non-current assets</b>		<b>346,256</b>	<b>327,261</b>
<b>Total assets</b>		<b>425,635</b>	<b>401,522</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	96,653	39,779
Borrowings	11	153,815	240,110
Provisions	12	12,123	6,366
<b>Total current liabilities</b>		<b>262,591</b>	<b>286,255</b>
<b>Non-current liabilities</b>			
Provisions	12	4,279	-
<b>Total non-current liabilities</b>		<b>4,279</b>	<b>-</b>
<b>Total liabilities</b>		<b>266,870</b>	<b>286,255</b>
<b>Net assets</b>		<b>158,765</b>	<b>115,267</b>
<b>Equity</b>			
Issued capital	13	854,557	854,557
Retained earnings / Accumulated losses	14	(695,792)	(739,289)
<b>Total equity</b>		<b>158,765</b>	<b>115,268</b>

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

## Financial statements (continued)

### Statement of Changes in Equity for the year ended 30 June 2017

	Issued capital \$	Retained earnings \$	Reserves \$	Total equity \$
Balance at 1 July 2015	854,557	(741,845)	-	112,712
Profit / Loss for the year	-	2,556	-	2,556
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	-	<b>2,556</b>	-	<b>2,556</b>
<b>Transactions with owners, in their capacity as owners</b>				
Shares issued during the year	-	-	-	-
Dividends paid or provided	-	-	-	-
<b>Balance at 30 June 2016</b>	<b>854,557</b>	<b>(739,289)</b>	-	<b>115,268</b>
Balance at 1 July 2016	854,557	(739,289)	-	115,268
Profit / Loss for the year	-	44,947	-	44,947
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	-	<b>44,947</b>	-	<b>44,947</b>
<b>Transactions with owners, in their capacity as owners</b>				
Shares issued during the year	-	-	-	-
Dividends paid or provided	-	-	-	-
<b>Balance at 30 June 2017</b>	<b>854,557</b>	<b>(694,342)</b>	-	<b>160,215</b>

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

# Financial statements (continued)

## Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		736,493	665,638
Payments to suppliers and employees		(627,844)	(649,396)
Interest paid		(7,908)	(11,301)
Income tax paid		-	-
<b>Net cash provided by / (used in) operating activities</b>	<b>17b</b>	<b>100,741</b>	<b>4,941</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(229)	(4,027)
Purchase of intangible assets		(13,556)	-
<b>Net cash flows from / (used in) investing activities</b>		<b>(13,785)</b>	<b>(4,027)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		-	-
<b>Net cash provided by / (used in) financing activities</b>		<b>-</b>	<b>-</b>
Net increase / (decrease) in cash held		86,956	914
Cash and cash equivalents at beginning of financial year		(238,326)	(239,240)
<b>Cash and cash equivalents at end of financial year</b>	<b>17a</b>	<b>(151,370)</b>	<b>(238,326)</b>

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

# Notes to the financial statements

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For year ended 30 June 2017

These financial statements and notes represent those of Albany (WA) Community Financial Services Limited.

Albany (WA) 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 11 September 2017.

## Note 1. Summary of significant accounting policies

### (a) Basis of preparation

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

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

#### Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**<sup>®</sup> branch at 3/78-82 Lockyer Avenue, Albany.

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

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

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

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

# Notes to the financial statements (continued)

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## Note 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) New and amended accounting policies adopted by the company**

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

### **(e) Comparative figures**

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

### **(f) 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.

#### 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.

# Notes to the financial statements (continued)

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

### **(f) Critical accounting estimates and judgements (continued)**

#### 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.

### **(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 below:

- (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.
- 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.



# Notes to the financial statements (continued)

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

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

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

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.

- (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 customers.

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.

In May 2015, the AASB issued ED 260 Income of Not-for-Profit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.

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.

- (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;

# Notes to the financial statements (continued)

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

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

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

- 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.

## Note 2. 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.

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.

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

	2017 \$	2016 \$
Revenue		
- service commissions	739,815	673,814
	<b>739,815</b>	<b>673,814</b>
Other revenue		
- interest received	-	-
- other revenue	-	-
	-	-
<b>Total revenue</b>	<b>739,815</b>	<b>673,814</b>

## Note 3. Expenses

### 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. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

# Notes to the financial statements (continued)

## Note 3. Expenses (continued)

### Depreciation (continued)

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

Class of asset	Rate	Method
Leasehold improvements	20%	SL
Plant and equipment	20 - 100%	SL

### Gains/losses upon disposal of non-current assets

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

	2017 \$	2016 \$
<b>Profit before income tax includes the following specific expenses:</b>		
Employee benefits expense		
- wages and salaries	342,025	351,540
- superannuation costs	29,416	30,033
- other costs	37,331	18,794
	<b>408,772</b>	<b>400,367</b>
Depreciation and amortisation		
Depreciation		
- plant and equipment	1,229	970
- leasehold improvements	-	-
	<b>1,229</b>	<b>970</b>
Amortisation		
- franchise fees	13,556	13,864
<b>Total depreciation and amortisation</b>	<b>14,785</b>	<b>14,834</b>
Finance costs		
- Interest paid	7,908	11,314
Bad and doubtful debts expenses	1,082	1,971
(Gain) / Loss on disposal of property, plant and equipment	-	-
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	4,650	3,500
- Taxation services	-	-
- Share registry services	-	-
	<b>4,650</b>	<b>3,500</b>

# Notes to the financial statements (continued)

## Note 4. Income tax

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

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

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

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

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

	2017 \$	2016 \$
<b>a. The components of tax expense / (income) comprise:</b>		
Current tax expense / (income)	-	-
Deferred tax expense / (income) relating	(3,254)	4,772
Recoupment of prior year tax losses	26,169	3,343
Under / (over) provision of prior years	11,315	17,400
	<b>34,230</b>	<b>25,515</b>
<b>b. Prima facie tax payable</b>		
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% (2016: 28.5%)	21,375	8,000
Add tax effect of:		
- Utilisation of previously unrecognised carried forward tax losses	(26,169)	(3,343)
- Under / (over) provision of prior years	-	-
- Non-deductible expenses	4,794	(4,657)
<b>Income tax attributable to the entity</b>	-	-
The applicable weighted average effective tax rate is	44.04%	90.90%
<b>c. Current tax liability</b>		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	-	-
Income tax paid	-	-
Current tax	-	-
Under / (over) provision prior years	-	-
	-	-

## Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 4. Income tax (continued)		
<b>d. Deferred tax asset / (liability)</b>		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Accruals	2,413	709
Employee provisions	4,511	2,019
Unused tax losses	282,374	319,763
	<b>289,298</b>	<b>322,491</b>
Deferred tax liabilities balance comprises:		
Plant & equipment	1,037	-
	<b>1,037</b>	-
<b>Net deferred tax asset / (liability)</b>	<b>288,261</b>	<b>322,491</b>
Total carried forward tax losses not recognised as deferred tax assets	-	-
<b>e. Deferred income tax (revenue)/expense included in income tax expense comprises:</b>		
Decrease / (increase) in deferred tax assets	21,878	8,115
(Decrease) / increase in deferred tax liabilities	1,037	-
Under / (over) provision prior years	11,315	17,400
	<b>34,230</b>	<b>25,515</b>

## Note 5. Cash and cash equivalents

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, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

	2017 \$	2016 \$
Cash at bank and on hand	2,445	1,784
Short-term bank deposits	-	-
	<b>2,445</b>	<b>1,784</b>

## Note 6. Trade and other receivables

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.

## Notes to the financial statements (continued)

### Note 6. Trade and other receivables (continued)

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.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Trade receivables	70,481	71,732
Other receivables	-	-
	<b>70,481</b>	<b>71,732</b>

#### 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.

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 \$	
<b>2017</b>						
Trade receivables	70,481	70,481	-	-	-	-
Other receivables	-	-	-	-	-	-
<b>Total</b>	<b>70,481</b>	<b>70,481</b>	-	-	-	-
<b>2016</b>						
Trade receivables	71,732	71,732	-	-	-	-
Other receivables	-	-	-	-	-	-
<b>Total</b>	<b>71,732</b>	<b>71,732</b>	-	-	-	-

# Notes to the financial statements (continued)

## Note 7. Other assets

Other assets represent items that will provide the entity with future economic benefits controlled by the entity as a result of past transactions or other past events.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Prepayments	6,453	745
Other	-	-
	<b>6,453</b>	<b>745</b>

## Note 8. 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.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Leasehold improvements</b>		
At cost	249,678	249,678
Less accumulated depreciation	(249,678)	(249,678)
	-	-
<b>Plant and equipment</b>		
At cost	12,751	12,522
Less accumulated depreciation	(8,981)	(7,752)
	<b>3,770</b>	<b>4,770</b>
<b>Total plant and equipment</b>	<b>3,770</b>	<b>4,770</b>

## Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 8. Plant and equipment (continued)		
<b>Movements in carrying amounts</b>		
<b>Leasehold improvements</b>		
Balance at the beginning of the reporting period	-	-
Additions	-	-
Disposals	-	-
Depreciation expense	-	-
<b>Balance at the end of the reporting period</b>	<b>-</b>	<b>-</b>
<b>Plant and equipment</b>		
Balance at the beginning of the reporting period	4,770	1,712
Additions	229	4,028
Disposals	-	-
Depreciation expense	(1,229)	(970)
<b>Balance at the end of the reporting period</b>	<b>3,770</b>	<b>4,770</b>
<b>Total plant and equipment</b>		
Balance at the beginning of the reporting period	4,770	1,712
Additions	229	4,028
Disposals	-	-
Depreciation expense	(1,229)	(970)
<b>Balance at the end of the reporting period</b>	<b>3,770</b>	<b>4,770</b>

## Note 9. Intangible assets

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.

	2017 \$	2016 \$
<b>Franchise fee</b>		
At cost	67,781	79,322
Less accumulated amortisation	(13,556)	(79,322)
	<b>54,225</b>	<b>-</b>
<b>Total intangible assets</b>	<b>54,225</b>	<b>-</b>



## Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 9. Intangible assets (continued)		
<b>Movements in carrying amounts</b>		
<b>Franchise fee</b>		
Balance at the beginning of the reporting period	-	13,864
Additions	67,781	-
Disposals	-	-
Amortisation expense	(13,556)	(13,864)
<b>Balance at the end of the reporting period</b>	<b>54,225</b>	<b>-</b>
<b>Total intangible assets</b>		
Balance at the beginning of the reporting period	-	13,864
Additions	67,781	-
Disposals	-	-
Amortisation expense	(13,556)	(13,864)
<b>Balance at the end of the reporting period</b>	<b>54,225</b>	<b>-</b>

## Note 10. Trade and other payables

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.

	2017 \$	2016 \$
<b>Current</b>		
Unsecured liabilities:		
Trade creditors	74,249	9,714
Other creditors and accruals	22,404	30,065
	<b>96,653</b>	<b>39,779</b>

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

## Note 11. Borrowings

<b>Current</b>		
Unsecured liabilities		
Bank overdraft	153,815	240,110
<b>Total borrowings</b>	<b>153,815</b>	<b>240,110</b>

### (a) Bank overdraft and bank loans

The company has an overdraft facility of \$375,000 which is subject to normal commercial terms and conditions.

# Notes to the financial statements (continued)

## Note 12. Provisions

### Short-term employee benefits

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

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

### Other long-term employee benefits

Provision is made for employees' long service leave 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.

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.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Employee benefits	12,123	6,366
<b>Non-current</b>		
Employee benefits	4,279	-
<b>Total provisions</b>	<b>16,402</b>	<b>6,366</b>

## Note 13. Share capital

Ordinary shares are classified as equity.

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

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
884,016 Ordinary shares fully paid	884,016	884,016
Less: Equity raising costs	(29,459)	(29,459)
	<b>854,557</b>	<b>854,557</b>
<b>Movements in share capital</b>		
Fully paid ordinary shares:		
At the beginning of the reporting period	854,557	854,557
Shares issued during the year	-	-
<b>At the end of the reporting period</b>	<b>854,557</b>	<b>854,557</b>

# Notes to the financial statements (continued)

## Note 13. Share capital (continued)

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.

### 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.

	2017 \$	2016 \$
<b>Note 14. Accumulated losses</b>		
Balance at the beginning of the reporting period	(739,289)	(741,845)
Profit/(loss) after income tax	43,497	2,556
Dividends paid	-	-
<b>Balance at the end of the reporting period</b>	<b>(695,792)</b>	<b>(739,289)</b>

## Note 15. Dividends paid or provided for on ordinary shares

### Dividends paid or provided for during the year

No dividends were paid or proposed by the company during the period.	-	-
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## Notes to the financial statements (continued)

	2017 \$	2016 \$
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### Note 16. Earnings per share

#### 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 issued during the year.

Basic earnings per share (cents)	5.09	0.30
Earnings used in calculating basic earnings per share	43,497	2,555
Weighted average number of ordinary shares used in calculating basic earnings per share.	854,557	854,557

### Note 17. Statement of cash flows

#### (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 6)	2,445	1,784
Less bank overdraft (Note 13)	(153,815)	(240,110)
<b>As per the Statement of Cash Flow</b>	<b>(151,370)</b>	<b>(238,326)</b>

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

Profit / (loss) after income tax	43,497	2,556
Non-cash flows in profit		
- Depreciation	1,229	970
- Amortisation	13,556	13,864
- Bad debts	1,082	1,971
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	169	(18,303)
- (increase) / decrease in prepayments and other assets	(5,708)	113
- (Increase) / decrease in deferred tax asset	34,230	25,514
- Increase / (decrease) in trade and other payables	2,649	(15,181)
- Increase / (decrease) in current tax liability	-	-
- Increase / (decrease) in provisions	10,036	(6,563)
<b>Net cash flows from / (used in) operating activities</b>	<b>100,740</b>	<b>4,941</b>

#### (c) Credit standby arrangement and loan facilities

The company has a bank overdraft and commercial bill facility amounting to \$375,000 (2016: \$375,000). This may be terminated at any time at the option of the bank. At 30 June 2017, \$153,815 of this facility was used (2016: \$240,110). Variable interest rates apply to these overdraft and bill facilities.

# Notes to the financial statements (continued)

## Note 18. Key management personnel and related party disclosures

### (a) Key management personnel

Any person(s) 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 is considered 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.

### (c) Transactions with key management personnel and related parties

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

The Albany (WA) Community Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank**<sup>®</sup> 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 nil for the year ended 30 June 2017.

### (d) Key management personnel shareholdings

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

	2017	2016
Sarah Bowles	-	-
Michael Clutterham	-	-
Keith McLuckie	500	500
Lucy Anderton	-	-
Robert Golding	-	-
Dennis Wellington	-	-
Leon Delpech	-	-
Johanna Tomlinson	-	-
Kendel Inverarity	-	-
	<b>500</b>	<b>500</b>

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

### (e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

# Notes to the financial statements (continued)

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## Note 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.

## Note 20. Contingent liabilities and contingent assets

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

## Note 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 Albany, WA. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2016: 100%).

## Note 22. Commitments

### Operating lease commitments

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

	2017 \$	2016 \$
Payable:		
- no later than 12 months	44,000	44,000
- between 12 months and five years	176,000	176,000
- greater than five years	-	-
Minimum lease payments	220,000	220,000

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance and with the option to extend for a further 5 years.

## Note 23. Company details

The registered office and principle place of business is Shop 3, 78-82 Lockyer Avenue, Albany WA 6330.

## Note 24. Financial risk management

### Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Due to the size of operations the full Board acts as the Audit Committee.

### 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.

# Notes to the financial statements (continued)

## Note 24. Financial risk management (continued)

### Specific financial risk exposure and management (continued)

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	2017 \$	2016 \$
<b>Financial assets</b>			
Cash and cash equivalents	5	2,445	1,784
Trade and other receivables	6	70,481	71,732
<b>Total financial assets</b>		<b>72,926</b>	<b>73,516</b>
<b>Financial liabilities</b>			
Trade and other payables	10	96,653	39,779
Bank overdraft	11	153,815	240,110
<b>Total financial liabilities</b>		<b>250,468</b>	<b>279,889</b>

### **(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.

None of the assets of the company are past due (2016: 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.

# Notes to the financial statements (continued)

## Note 24. Financial risk management (continued)

### (b) Liquidity risk (continued)

In addition the company has established an overdraft facility of \$375,000 with Bendigo and Adelaide Bank Limited. The undrawn amount of this facility is \$221,185 (2016: \$134,890) .

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

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

Financial liability and financial asset maturity analysis:

	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>30 June 2017</b>					
<b>Financial assets</b>					
Cash and cash equivalents	0%	2,445	2,445	-	-
Trade and other receivables	0%	70,481	70,481	-	-
<b>Total anticipated inflows</b>		<b>72,926</b>	<b>72,926</b>	-	-
<b>Financial liabilities</b>					
Trade and other payables	0%	96,653	96,653	-	-
Bank overdraft *	3.795%	153,815	153,815	-	-
<b>Total expected outflows</b>		<b>250,468</b>	<b>250,468</b>	-	-
<b>Net inflow / (outflow) on financial instruments</b>		<b>(177,542)</b>	<b>(177,542)</b>	-	-

	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>30 June 2016</b>					
<b>Financial assets</b>					
Cash and cash equivalents	0%	1,784	1,784	-	-
Trade and other receivables	0%	71,732	71,732	-	-
<b>Total anticipated inflows</b>		<b>73,516</b>	<b>73,516</b>	-	-
<b>Financial liabilities</b>					
Trade and other payables	-%	39,779	39,779	-	-
Bank overdraft *	4.285%	240,110	240,110	-	-
<b>Total expected outflows</b>		<b>279,889</b>	<b>279,889</b>	-	-
<b>Net inflow / (outflow) on financial instruments</b>		<b>(206,373)</b>	<b>(206,373)</b>	-	-

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



# Notes to the financial statements (continued)

## Note 24. Financial risk management (continued)

### (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 financial instruments that primarily expose the company to interest rate risk are borrowings and cash and cash equivalents.

#### Sensitivity analysis

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

	Profit \$	Equity \$
<b>Year ended 30 June 2017</b>		
+/- 1% in interest rates (interest income)	24	24
+/- 1% in interest rates (interest expense)	(1,538)	(1,538)
	<b>(1,514)</b>	<b>(1,514)</b>
<b>Year ended 30 June 2016</b>		
+/- 1% in interest rates (interest income)	18	18
+/- 1% in interest rates (interest expense)	(2,401)	(2,401)
	<b>(2,383)</b>	<b>(2,383)</b>

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

The company has no exposure to fluctuations in foreign currency.

### (d) Price risk

The company is not exposed to any material price risk.

#### Fair values

##### Fair value estimation

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company.

## Notes to the financial statements (continued)

Note 24. Financial risk management (continued)

### (d) Price risk (continued)

Fair values (continued)

	2017		2016	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair Value \$
<b>Financial assets</b>				
Cash and cash equivalents (i)	2,445	2,445	1,784	1,784
Trade and other receivables (i)	70,481	70,481	71,732	71,732
<b>Total financial assets</b>	<b>72,926</b>	<b>72,926</b>	<b>73,516</b>	<b>73,516</b>
<b>Financial liabilities</b>				
Trade and other payables (i)	96,653	96,653	39,779	39,779
Bank overdraft	153,815	153,815	240,110	240,110
<b>Total financial liabilities</b>	<b>250,468</b>	<b>250,468</b>	<b>279,889</b>	<b>279,889</b>

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

# Directors' declaration

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In accordance with a resolution of the Directors of Albany (WA) Community Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 9 to 33 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 2017 and of the performance for the year ended on that date;
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This resolution is made in accordance with a resolution of the Board of Directors.



**Sarah Bowles**  
**Director**

Signed at Albany on 12 September 2017.

# Independent audit report

## INDEPENDENT AUDITOR'S REPORT

To: The Members of Albany (WA) Community Financial Services Ltd

### Report on the Audit of the Financial Report

We have audited the accompanying financial report of Albany (WA) Community Financial Services Ltd, which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies, and the directors' declaration.

In our opinion the financial report of Albany (WA) Community Financial Services Ltd is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (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.

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

### Emphasis of Matter – Going Concern

The company has insufficient current assets available to pay current liabilities. The ability of the company to continue as a going concern is dependent upon the continued financial support of creditors and suppliers.

### Emphasis of Matter – Intangible Deferred Tax Asset Valuation

The company has booked a deferred tax asset, being a future income tax benefit of \$ 288,261 as at 30 June 2017. This represents the tax benefit available in the event that tax losses are recouped in the future. The ability of the company to recoup those losses and realise the assets full value, is in turn dependent upon the company achieving a requisite level of profitability in the future

### Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. The going concern basis of accounting is appropriate when it is reasonably foreseeable that the company will be able to meet its liabilities as they fall due.

The directors are responsible for overseeing the company's financial reporting process.



**MACLEOD**  
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LIABILITY LIMITED BY A SCHEME APPROVED UNDER PROFESSIONAL STANDARDS LEGISLATION

CERTIFIED PRACTISING ACCOUNTANTS



# Independent audit report (continued)

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## Auditor's responsibilities for the audit of the financial report

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted an independent audit of the financial report in order to express an opinion on it to the members.

Our objective is 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 members taken on the basis of this financial report.

We have complied with the competency standards set by Australian Securities & Investments Commission (ASIC). Our audit has been conducted in accordance with Australian Auditing Standards. These standards require that we comply with relevant ethical requirements relating to audit engagements, and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free from material misstatement.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- Obtain an understanding of internal controls relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of 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 the 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 the auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- 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 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 the audit.



Paul Gilbert FCPA MBA  
Macleod Corporation Pty Ltd  
Unit 8, 76 Proudlove Parade, ALBANY WA 6330

Dated this 7th day of September 2017



LIABILITY LIMITED BY A SCHEME APPROVED UNDER PROFESSIONAL STANDARDS LEGISLATION

CERTIFIED PRACTISING ACCOUNTANTS



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