Annual Report 2018

Albany (WA) Community Financial Services Limited

ABN 77 119 012 510

Albany **Community Bank**® Branch

Contents

Chair's report

For year ending 30 June 2018

Dear Shareholders

It is with great pleasure that we announce continued growth in business for the second financial year. Despite a challenging year for financial services the Albany Community Bank® Branch grew 10% for the 2017/2018 financial year.

The last financial year has been a strong emphasis on our rebuilding phase. I am pleased to present a strong board of directors committed to the growth and development of the company and its branch. This financial year we welcomed new Directors, Graham Foster, Danielle Branson and Simon Lyas who bring a broad depth of knowledge and skill to our dedicated team. I would like to take this opportunity to thank each director for their time and commitment in their roles.

I would also like to express my gratitude to Lyn Lutley, our new Administration and Community Engagement Officer, who has worked tirelessly in her role since her appointment in January to support the board, ensuring good governance and building relationships with the community.

The growth and development within the branch team can also been highlighted in the performance of the Branch over this last financial year. On behalf of the board, I would like to sincerely thank our Branch Manager Jason Krein and his team for their dedication and commitment to support these results. The leadership and dedication from Jason and his team have underpinned these positive results.

The year has seen both the Branch Staff and Board, work more effectively together. This collaboration has been critical in driving growth and we look forward to continued success as we move into the next financial year.

Whilst we are pleased with our performance to date, once again we recognise we have significant work to do to continue to build our reputation and value within the community. Continued growth is essential to deliver a return to our Shareholders. This is a key priority for us this financial year. Our capacity to both pay a dividend and support our community remains directly related to our business growth. To achieve both we must to grow more. As a Shareholder, if you are not banking with the Albany Community Bank® Branch, I would encourage you to contact our Branch Manager Jason Krein to talk to you about how we may support you and your banking needs.

Finally, I would like to take this opportunity to thank our Shareholders and loyal customers for their ongoing support. Over the past 2 years, the Albany Community Bank® Branch has made some ground in turning a corner to achieving our goals. These are exciting times ahead for the company and branch. What role will you play in our success?

Sarah Bowles
Chair

Manager's report

For year ending 30 June 2018

I would like to thank you once again for your ongoing loyal support, this has enabled us to continue with our vision of building a strengthened community.
The past year has brought us numerous opportunities, leading us to have seen the most growth out of any branch in the South West. That growth has been inspired by a Board and Branch that is focused on delivering results to our community and you our shareholders.
We as a branch are ever committed to continue our journey of passion, focus and determination leading us on our journey of becoming a truly customer connected bank. A large portion of our growth this year has been due to the positive word of mouth from our existing customers. It is wonderful to know that our determination to provide an excellent customer experience has led to continued business growth. You to are now able to share in the journey, this year our branch piloted a wonderful shareholders package, giving you the banking benefits not previously offered.

Financial Results 2017/2018;
In 2017/2018 we have seen the book grow by 10% growing from $118 Million to $129 Million. This has been achieved through a growth in;

- Lending $2.902M
- Deposits $7.485M

This has resulted in the bank achieving a result of 93% of target. Although the branch did not exceed target this year, we are still happy with the growth obtained. A considerable amount of effort has gone into building a sustained pipeline leading to continued growth in 2018/2019.

This year more than ever we want to see growth within our business thus being able to return a dividend to you our shareholders. This will be achieved through our continued marketing plan, and community engagement. This year we have launched a new sponsorship program, that will enable us to engage with the public in a new way, resulting in opportunities not yet discovered.
The growth segments that we will be continuing to target in the new financial year remain the same as previously;

- Young families and first home buyers
- Rural clients
- Commercial and Small Business
- Our Shareholders

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.

Thank you for being part of something bigger and thank you for making a difference.

Jason Krein
Branch Manager

Bendigo & Adelaide Bank report

For year ending 30 June 2018

It's been 20 years since the doors to the first Community Bank® branch opened. And it has only been a few months since the latest, the 321st, Community Bank® branch opened its doors.

In the last 20 years, much has changed. A staggering 92 per cent of our customers do their banking online and we pay for goods and services on a range of mobile phones, our watches and even our fitness devices. Many are embracing this online world with a sense of excitement and confidence. Our model will be even more accessible to people right across Australia.

Despite the change many things have also remained constant through the last two decades. Commitment within communities remains as strong today as it has ever been; from our first Community Bank® branch to the most recent one, and the 319 in between.

This year, five of our Community Bank branches are celebrating 20 years in business. Bendigo Bank has celebrated 160 years in business. We farewelled Managing Director Mike Hirst and welcomed into the MD role long-time Bendigo employee Marnie Baker.

Our Be the change online marketing campaign has been the most successful online marketing campaign ever run by our organisation. The premise behind Be the change is simple – it thanks individual customers for banking with their Community Bank® branch.

But it's not the Bank thanking the customers. It's not the staff, volunteer directors or shareholders thanking the customers. It's the kids from the local little athletics and netball clubs, it's the man whose life was saved by a Community Bank® funded defib unit, it's members of the local community choir and the animal rescue shelter. These people whose clubs and organisations have received a share of over $200 million in Community Bank® contributions, all because of people banking with their local Community Bank® branch.

Be the change has further highlighted the power of the model. For others, customers are important. For our Community Bank® network, customer support ensures our point of difference. It's the reason we can share in the revenue generated by their banking business. Without this point of difference, we would be just another bank.

But we're not, we're Bendigo Bank and we're Australia's only 'community bank', recently named by Roy Morgan Research as Australia's third most trusted brand and most trusted bank. As one of 70,000-plus Community Bank® company shareholders across Australia, these are outcomes we hope you too are proud of.

I'd like to thank you for your decision to support your local Community Bank® company as a shareholder. Your support has been vitally important to enhancing the prospects and outcomes within your community.

Without you, there would be no Community Bank® branch network in Australia.

We value your initial contribution and your ongoing support of your Community Bank® branch and your community. Thank you for continuing to play a role in helping your community Be the change.

Robert Musgrove
Bendigo and Adelaide Bank Limited

Directors' report

For year ending 30 June 2018

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

Directors

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

Sarah 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).
Special responsibilities: Chairperson, Regional representative for Joint Regional Community Bank®branches, Joint Regional Community Bank® branches Sponsorship Sub-committee, Sponsorship and Community Engagement.
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.
Interest in shares: 500

Michael Clutterham
Company Secretary
Occupation: State Community Strengthening Manager SA/NT of Bendigo Bank Ltd
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® 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® branches.
Special responsibilities: Company Secretary
Interest in shares: Nil

Danielle Branson
Company Treasurer
Occupation: Self-employed
Qualifications, experience and expertise: Danielle has an Advance Diploma of Accounting from South Regional TAFE. Currently she volunteers as an ambulance officer for St John Ambulance and is a member for the Volunteer Leadership Group. Her previous experience includes: Treasurer for Rainbow Coast Neighbourhood Centre and Treasurer for Proudies Foundation Inc.
Special responsibilities: Company Treasurer
Interest in shares: Nil

Leon Delpech
Director
Occupation: Managing Director
Qualifications, experience and expertise: Current: Delpech – 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).
Special responsibilities: NA
Interest in shares: Nil

Directors’ report (continued)

Johanna Tomlinson
Director
Occupation: Consultant and Farmer
Qualifications, experience and expertise: Johanna has a Bachelor of Environmental Science degree from Murdoch University. She has almost 20 years of hands on experience in agriculture, natural resource management and business management and was recently awarded a 2019 Nuffield Australia scholarship. 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. Together with her husband and their staff, Johanna’s operates a broadacre farming operations in the Shire of Jerramungup and the City of Albany, where the family are based. Key commodities produced include beef cattle, prime lamb, wool, cereals, oilseeds and hay. In 2015 Johanna started her project management business, Clear South. Johanna and her team work with their loyal client base to provide a range of services, including: human resource management, governance, project development and management, group and small business executive assistance and coordination, administration, facilitation, writing (including speeches, media releases, case studies, reports and content for a range of media), investment attraction (including sponsorship and grant applications), event coordination and management, website maintenance and marketing. Johanna is a dedicated community person who currently represents farmers on the South Coast Natural Resource Management Group and has held many community positions in the past.
Special responsibilities: Strategic Planning and Agricultural portfolios.
Interest in shares: 2,000

Graham Foster
Director
Occupation: CEO Albany Chamber of Commerce and Industry
Qualifications, experience and expertise:
Special responsibilities:
Interest in shares: Nil

Simon Lyas
Director
Occupation: Director at Regional Development Australia Great Southern WA Inc
Qualifications, experience and expertise: Simon moved to Denmark in 2009. He is responsible for day to day operations, contributes to Strategic Planning and is actively driving economic development initiatives with a range of stakeholders in the region. Simon’s previous experience includes project management with various government agencies and business management experience in several tourism-based operations in Australia and overseas. Simon is a strong community advocate and volunteer on a number of community organisations in Albany.
Special responsibilities:
Interest in shares: Nil

Company Secretary

Michael Clutterham has been the Company Secretary of Albany (WA) Community Financial Service Limited since 14 April 2016.

Principal activities

The principal activities of the company during the course of the financial year were in providing Community Bank® branch services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.
There has been no significant changes in the nature of these activities during the year.

Review of operations

The profit of the company for the financial year after provision for income tax was $58,536 (2017: $43,497), which is a 35% increase as compared with the previous year. The net assets of the company has decreased/increased to $217,301.

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.

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.

Directors' meetings

Directors were in office for the entire year unless otherwise stated. No Directors have material interests in contracts or proposed contracts with the company. Attendances by each Director during the year were as follows:

Director	Board meetings	
	A	B
Sarah Bowles	11	11
Michael Clutterham	11	9
Danielle Branson – Appointed 24/04/2018	3	2
Leon Delpech	11	10
Johanna Tomlinson	11	11
Graham Foster – Appointed 24/04/2018	3	3
Simone Lyas – Appointed 26/06/2018	1	1

A - The number of meetings eligible to attend.

B - The number of meetings attended.
N/A - not a member of that committee.

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 10 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 2 October 2018.

Sarah Bowles
Chair

Auditor’s Independence Declaration

MACLEOD
CORPORATION PTY LTD.
A.B.N. 25 082 636 968
Unit 8, 76 Proudlove Parade
ALBANY WA 6330
PO Box 5779
ALBANY WA 6332
ph 08 9841 2118
m. 0412 375 667
e. paul@macleodcpa.com.au
www.macleodcpa.com.au

17th August 2018

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 2018, 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

Financial Statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

	Note	Year Ended 30 June 2018 $	Year Ended 30 June 2017 $
Revenue	**2**	809,787	739,815
Expenses			
Employee benefits expense	**3**	(443,225)	(408,772)
Administration and general costs		(105,245)	(97,949)
Bad and doubtful debts expense	**3**	(776)	(1,082)
Occupancy expenses		(87,333)	(72,050)
System Costs		(18,867)	(21,898)
Depreciation and amortisation expense	**3**	(14,889)	(14,785)
Finance costs	**3**	(3,464)	(7,908)
Other expenses		(9,368)	(11,799)
		(683,167)	(636,243)
Profit / (loss) before charitable donations & sponsorships		**126,620**	**103,572**
Charitable donations and sponsorship		(45,830)	(25,845)
Profit / (loss) before income tax		**80,790**	**77,727**
Income tax expense / (benefit)	**4**	(22,254)	(34,230)
Profit / (loss) for the period		**58,536**	**43,497**
Other comprehensive income		-	-
Total comprehensive income for the period		**58,536**	**43,497**
Profit / (loss) attributable to members of the company		58,536	43,497
Total comprehensive income attributable to members of the company		58,536	**43,497**
Earnings per share (cents per share)			
- basic earnings per share	**16**	6.84	5.09

Financial Statements (continued)

Balance Sheet
as at 30 June 2018

	Note	Year Ended 30 June 2018 $	Year Ended 30 June 2017 $
ASSETS			
Current assets			
Cash and cash equivalents	5	1,779	2,445
Trade and other receivables	6	93,390	70,481
Other assets	7	6,453	6,453
Total current assets		**101,622**	**79,379**
Non-current assets			
Property, plant and equipment	8	8,780	3,770
Intangible assets	9	40,669	54,225
Deferred tax assets	4	266,008	288,261
Total non-current assets		**315,457**	**346,256**
Total assets		**417,079**	**425,635**
LIABILITIES			
Current liabilities			
Trade and other payables	10	114,819	96,653
Borrowings	11	62,723	153,815
Provisions	12	19,226	12,123
Total current liabilities		**196,768**	**262,591**
Non-current liabilities			
Provisions	12	3,010	4,279
Total non-current liabilities		**3,010**	**4,279**
Total liabilities		**199,778**	**266,870**
Net assets		**217,301**	**158,765**
Equity			
Issued capital	13	854,557	854,557
Retained earnings / Accumulated losses	14	(637,256	(695,792)
Total equity		**217,301**	**158,765**

Financial Statements (continued)

Statement of Changes in Equity
as at 30 June 2018

	Note	Issued Capital $	Retained earnings / Accumulated losses $	Reserves $	Total Equity $
Balance at 1 July 2016		**854,557**	**(739,289)**	**-**	**115,268**
Total comprehensive income for the period		-	43,497	-	43,497
Transactions with owners in their capacity as owners:					
Dividends recognised for the period	**5**	-	-	-	-
Balance at 30 June 2017		**854,557**	**(695,792)**	**-**	**158,765**
Balance at 1 July 2017		**854,557**	**(695,792)**	**-**	**158,765**
Total comprehensive income for the period		-	58,536	-	58,536
Transactions with owners in their capacity as owners:					
Dividends recognised for the period	**5**	-	-	-	-
Balance at 30 June 2018		**854,557**	**(637,256)**	**-**	**217,301**

Statement of Cash Flows
as at 30 June 2018

	Note	Year Ended 30 June 2018 $	Year Ended 30 June 2017 $
Cash flows from operating activities			
Receipts from customers		786,877	736,493
Payments to suppliers and employees		(673,088)	(627,844)
Interest paid		(3,464)	(7,908)
Income tax paid		-	-
Net cash flows from / (used in) operating activities	**17b**	**110,325**	**100,741**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	-
Purchase of property, plant and equipment		(6,343)	(229)
Purchase of intangible assets		(13,556)	(13,556)
Purchase of investments		-	-
Net cash flows from / (used in) investing activities		**(19,899)**	**(13,785)**
Cash flows from financing activities			
Dividends paid	**5**	-	-
Net cash flows from / (used in) financing activities		**-**	**-**
Net increase / (decrease) in cash held		**90,426**	**86,956**
Cash and cash equivalents at beginning of period		(151,370)	(238,326)
Cash and cash equivalents at end of period	**17a**	**(60,944)**	**(151,370)**
*Cash and Cash equivalents is made up of:			
Cash at Bank		1,779	2,445
Bank Overdraft		(62,723)	(153,815)
		(60,944)	**(151,370)**

Notes to the financial statements

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 2 October 2018.

1. Summary of significant accounting polices

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 govern the management of the Community Bank® 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® branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the Community Bank® branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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® branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- Advice and assistance in relation to the design, layout and fit out of the Community Bank® branch;
- Training for the Branch Managers and other employees in banking, management and 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.

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 estimated 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 involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

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

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

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.

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.

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)

- 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.

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).

	2018 $	2017 $
Revenue		
- service commissions	809,787	739,815
	809,787	739,815
Other revenue		
- interest received	-	-
- other revenue	-	-
	-	-
Total revenue	**809,787**	**739,815**

3. Expenses

Operating expenses
Operating expenses are recognised in profit or loss on an accrual's 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)

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.

	2018 $	2017 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	382,921	342,025
- superannuation costs	34,723	29,416
- other costs	25,581	37,331
	443,225	408,772
Depreciation and amortisation		
Depreciation		
- plant and equipment	1,333	1,229
- leasehold improvements	-	-
	1,333	1,229
Amortisation		
- franchise fees	13,556	13,556
Total depreciation and amortisation	14,889	14,785
Finance costs		
- Interest paid	3,464	7,908
Bad and doubtful debts expenses	776	1,082
(Gain) / Loss on disposal of property, plant and equipment	-	-
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	7,800	4,650
- Taxation services	-	-
- Share registry services	-	-
	7,800	4,650

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.

	2018 $	2017 $
a. The components of tax expense / (income) comprise:		
Current tax expense / (income)	-	-
Deferred tax expense / (income) relating	600	(3254)
Recoupment of prior year tax losses	21,654	26,169
Under / (over) provision of prior years	-	11,315
	22,254	**34,230**
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%)	22,217	21,375
Add tax effect of:		
- Utilisation of previously unrecognised carried forward tax losses	(21,691)	(26,169)
- Under / (over) provision of prior years	(562)	-
- Non-deductible expenses	36	4,794
Income tax attributable to the entity	**-**	**-**
The applicable weighted average effective tax rate is	27.5%	44.04%
c. Current tax liability		
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)

4. Income tax (continued)

	2018 $	2017 $
d. Deferred tax asset / (liability)		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Accruals	1,586	2,413
Employee provisions	6,115	4,511
Unused tax losses	260,721	282,374
	268,422	289,298
Deferred tax liabilities balance comprises:		
Plant & equipment	2,414	1,037
	2,414	1,037
Net deferred tax asset / (liability)	**266,008**	**288,261**
Total carried forward tax losses not recognised as deferred tax assets	-	-
e. Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	22,254	21,878
(Decrease) / increase in deferred tax liabilities	-	1,037
Under / (over) provision prior years	-	11,315
	22,254	**34,230**

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.

	2018 $	2017 $
Cash at bank and on hand	1,779	2,445
Short-term bank deposits	-	-
	1,779	**2,445**

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.

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 ther eis 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.

	2018 $	2017 $
Current		
Trade receivables	93,390	70,481
Other receivables	-	-
	93,390	**70,481**

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	
2018	$	$	$	$	$	$
Trade receivables	93,390	93,390	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	**93,390**	**93,390**	**-**	**-**	**-**	**-**
2017						
Trade receivables	70,481	70,481	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	**70,481**	**70,481**	**-**	**-**	**-**	**-**

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.

	2018 $	2017 $
Prepayments	6,453	6,453
Other	-	-
	6,453	**6,453**

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.

	2018 $	2017 $
Leasehold improvements		
At cost	249,678	249,678
Less accumulated depreciation	(249,678)	(249,678)
	-	-
Plant and equipment		
At cost	19,094	12,751
Less accumulated depreciation	(10,314)	(8,981)
	8,780	3,770
Total plant and equipment	**8,780**	**3,770**

Notes to the financial statements (continued)

8. Plant and equipment (continued)

Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the reporting period	-	-
Additions	-	-
Disposals	-	-
Depreciation expense	-	-
Balance at the end of the reporting period	-	-
Plant and equipment		
Balance at the beginning of the reporting period	3,770	4,770
Additions	6,334	229
Disposals	-	-
Depreciation expense	(1,324)	(1,229)
Balance at the end of the reporting period	8,780	3,770
Total plant and equipment		
Balance at the beginning of the reporting period	3,770	4,770
Additions	6,334	229
Disposals	-	-
Depreciation expense	(1,324)	(1,229)
Balance at the end of the reporting period	**8,780**	**3,770**

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.

	2018 **$**	**2017** **$**
Franchise fee		
At cost	67,781	67,781
Less accumulated amortisation	(27,112)	(13,556)
	40,669	54,225
Total intangible assets	**40,669**	**54,225**

Movements in carrying amounts

	2018 **$**	**2017** **$**
Franchise fee		
Balance at the beginning of the reporting period	54,225	-
Additions	-	67,781
Disposals	-	-
Amortisation expense	(13,556)	(13,556)
Balance at the end of the reporting period	40,669	54,225

9. Intangible assets (continued)

	2018 $	2017 $
Total intangible assets		
Balance at the beginning of the reporting period	54,225	-
Additions	-	67,781
Disposals	-	-
Amortisation expense	(13,556)	(13,556)
Balance at the end of the reporting period	**40,669**	**54,225**

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.

	2018 $	2017 $
Current		
Unsecured liabilities:		
Trade creditors	78,433	74,249
Other creditors and accruals	36,386	22,404
	114,819	**96,653**

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

11. Borrowings

Trade and other payables

Current		
Unsecured liabilities		
Bank overdraft	62,723	153,815
Total borrowings	**62,723**	**153,815**

(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)

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.

	2018 $	2017 $
Current		
Employee benefits	19,226	12,123
Non-current		
Employee benefits	3,010	4,279
Total provisions	**22,236**	**16,402**

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.

	2018 $	2017 $
884,016 Ordinary shares fully paid	884,016	884,016
Less: Equity raising costs	(29,459)	(29,459)
	854,557	**854,557**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	854,557	854,557
Shares issued during the year	-	-
At the end of the reporting period	**854,557**	**854,557**

Notes to the financial statements (continued)

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.

14. Accumulated losses

	2018 $	2017 $
Balance at the beginning of the reporting period	(695,792)	(739, 289)
Profit/(loss) after income tax	58,536	43,497
Dividends paid	-	-
Balance at the end of the reporting period	**(637,256)**	**(695,792)**

15. Dividends paid or provided for on ordinary shares

	2018 $	2017 $
Dividends paid or provided for during the year		
No dividends were paid or proposed by the company during the period		

Notes to the financial statements (continued)

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 issues during the year.

	2018 $	**2017 $**
Basic earnings per share (cents)	6.84	5.09
Earnings used in calculating basic earnings per share		
Weighted average number of ordinary shares used in calculating basic earnings per share.	854,557	854,557

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 5)	1,779	2,445
Less bank overdraft (Note 11)	(62,723)	(153,815)
As per the Statement of Cash Flow	**(60,944)**	**(151,370)**

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

Profit / (loss) after income tax	58,536	43,497
Non-cash flows in profit		
- Depreciation	1,323	1,229
- Amortisation	13,556	13,556
- Bad debts	751	1,082
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(22,909)	169
- (increase) / decrease in prepayments and other assets	12,816	(5708)
- (Increase) / decrease in deferred tax asset	22,253	34,230
- Increase / (decrease) in trade and other payables	18,166	2,649

17. Statement of cash flows (continued)

- Increase / (decrease) in current tax liability	-	-
- Increase / (decrease) in provisions	5,834	10,036
Net cash flows from / (used in) operating activities	**110,326**	**100,740**

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft and commercial bill facility amounting to $375,000 (2017: $375,000). This may be terminated at any time at the option of the bank. At 30 June 2018, $62,723 of this facility was used (2017: $153,815). Variable interest rates apply to these overdraft and bill facilities.

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.

The Albany (WA) 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 nil for the year ended 30 June 2018.

(c) 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:

	2018	2017
Sarah Bowles	500	-
Michael Clutterham	-	-
Leon Delpech	-	-
Johanna Tomlinson	2000	-
Danielle Branson	-	-
Graham Foster	-	-
Simon Lyas	-	-
	2,500	-

Notes to the financial statements (continued)

(d) Other key management transactions

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

19. Events after the reporting period

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

20. Contingent liabilities and contingent assets

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

21. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in 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 (2017:100%).

22. Commitments

Operating lease commitments

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

	2018 $	2017 $
Payable:		
- no later than 12 months	44,000	44,000
- between 12 months and five years	132,000	176,000
- greater than five years	-	-
Minimum lease payments	176,000	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.

23. Company details

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

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)

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	1,779	2,445
Trade and other receivables	6	93,390	70,481
Total financial assets		**95,169**	**72,926**
Financial liabilities			
Trade and other payables	10	114,819	96,653
Bank overdraft	11	62,723	153,815
Total financial liabilities		**177,542**	**250,468**

(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 (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.

Notes to the financial statements (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 $312,227(2017: $221,185).

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

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

Financial liability and financial asset maturity analysis:

30 June 2018	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0%	1,779	1,779	-	-
Trade and other receivables	0%	93,390	93,390	-	-
Total anticipated inflows		95,169	95,169	-	-
Financial liabilities					
Trade and other payables	0%	114,819	114,819	-	-
Bank overdraft *	3.795%	62,723	62,723	-	-
Total expected outflows		177,542	177,542	-	-
Net inflow / (outflow) on financial instruments		**(82,373)**	**(82,373)**	**-**	**-**

Notes to the financial statements (continued)

24. Financial risk management (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	0%	2,445	2,445	-	-
Trade and other receivables	0%	70,481	70,481	-	-
Total anticipated inflows		72,926	72,926	-	-
Financial liabilities					
Trade and other payables	0%	96,653	96,653	-	-
Bank overdraft *	3.795	153,815	153,815	-	-
Total expected outflows		250,468	250,468	-	-
Net inflow / (outflow) on financial instruments		**(177,542)**	**(177,542)**	**-**	**-**

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

(c) Market risk

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

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.

Notes to the financial statements (continued)

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.

Year ended 30 June 2018	Profit $	Equity $
+/- 1% in interest rates (interest income)	17	17
+/- 1% in interest rates (interest expense)	(627)	(627)
	(610)	**(610)**

Year ended 30 June 2017	Profit $	Equity $
+/- 1% in interest rates (interest income)	24	24
+/- 1% in interest rates (interest expense)	(1,538)	(1,538)
	(1,514)	(1,514)

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)

	2018		2017	
	Carrying amount $	Fair value $	Carrying amount $	Fair Value $
Financial assets				
Cash and cash equivalents (i)	1,779	1,779	2,445	2,445
Trade and other receivables (i)	93,390	93,390	70,481	70,481
Total financial assets	**95,169**	**95,169**	**72,926**	**72,926**
Financial liabilities				
Trade and other payables (i)	114,819	114,819	96,953	96,653
Bank overdraft	62,723	62,723	153,815	153,815
Total financial liabilities	**177,542**	**177,542**	**250,468**	**250,468**

(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

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

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001,* including:

i. giving a true and fair view of the company's financial position as at 30 June 2018 and of it's performance for the financial year ended on that date; and

ii. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable ground to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with resolution of the board of directors.

Sarah Bowles, Chairperson
Signed on the 17th of October 2018

Independent audit report

INDEPENDENT AUDITOR'S REPORT
To: The Members of Albany (WA) Community Financial Services Ltd

MACLEOD
CORPORATION PTY LTD.
A.B.N. 25 082 636 968
Unit 8, 76 Proudlove Parade
ALBANY WA 6330
PO Box 5779
ALBANY WA 6332
ph 08 9841 2118
m. 0412 375 667
e. paul@macleodcpa.com.au
www.macleodcpa.com.au

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 2018, 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 2018 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 $ 266,008 as at 30 June 2018. 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.

CERTIFIED PRACTICING ACCOUNTANTS

CPA

LIABILITY LIMITED BY A SCHEME APPROVED UNDER PROFESSIONAL STANDARDS LEGISLATION

Independent audit report (continued)

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 2018

CPA

CERTIFIED PRACTICING ACCOUNTANTS

Albany **Community Bank®** Branch
3/78-82 Lockyer Avenue, Albany WA 6330
Phone: (08) 9842 1911 Fax (08) 9842 1491
Email: AlbanyMailbox@bendigobank.com.au

Franchisee: Albany (WA) Community Financial Services Limited
3/78-82 Lockyer Avenue, Albany WA 6330
Phone: (08) 9842 1911 Fax (08) 9842 1491
Email: ace@albanycfs.com
ABN: 77 119 012 510
www.bendigobank.com.au/albany