Annual Report 2017

Beaconsfield District Community Financial Services Ltd

ABN 18 134 858 889

Beaconsfield District **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2017

In the past financial year banking operations have again been very competitive for our **Community Bank**® branch, however our income was favourably affected by new income calculations from 1 July 2016 pursuant to Project Horizon. There was an increase in gross income of nearly $89,000, exceeding budget by $20,000 and expenses were $5,000 more than budget. Consequently the net profit for the year of $40,000 exceeded budget by $15,000. Importantly, our **Community Bank**® branch achieved a maiden profit, with increased future profits projected in accordance with the three-year financial business plan.

The income of a **Community Bank**® branch is generated from Funds Under Management including deposits, loans, financial wealth, insurances, superannuation and various other products. All banking is with Bendigo and Adelaide Bank. During the financial year these Funds Under Management increased by $16.3 million (22.6%), against a budget of $9.7 million. This has significantly improved our operating results for the financial year. The growth in the Funds Under Management has been achieved due to increase in lending of $4.2 million increase in Deposits and other of $12.1 million. We are budgeting to increase the Funds Under Management by $5.8 million to $94.3 million by the end of the current financial year. Depending on the mix of Funds Under Management our **Community Bank**® company should be able to significantly improve the trading result in the 2017/18 year with a budgeted net profit of $120,628. The Board is projecting growth of Funds Under Management in the following two years of $9 million per annum. If this is achieved and there are no large unexpected or abnormal expenses, we anticipate achieving operating profits of $152,066 and $185,400 in the following two years.

The growth in our business does not occur without the continued dedication of the staff who are very experienced bankers with access to other specialist areas including financial wealth, insurances, and business lending. One role of Directors is to promote the **Community Bank**® branch providing staff with referrals who have the expertise and resources to provide an extensive range of banking facilities. All shareholders should also be advocates for the **Community Bank**® branch to help achieve the business growth we need. Any referrals would be much appreciated even non-obligation 'financial health check' of anyone's current banking position.

As part of the Franchise Agreement, each **Community Bank**® branch is provided with Marketing and Development Funds (MDF) from Bendigo and Adelaide Bank to promote the branch in the community. In the last financial year our branch received $35,625 and $42,030 was contributed to local organisations predominately as sponsorships. The policy adopted by the Board of Directors is that any requests for sponsorship must meet certain guidelines including obtaining the organisation's business, access to members to inform of benefits of banking with Bendigo and Adelaide Bank, advertising, signage etc. These business relationships are viewed to promote longer term benefits for the organisations, the members and the **Community Bank**® branch.

I appreciate the ongoing support, assistance and banking expertise provided by Bendigo and Adelaide Bank through Regional Office. Our branch has been part of the South West Gippsland Region for the past year and in particular I thank, Regional Managers, Anthony Gillett and Bill den Hartog and also Andrew Loh and Louise Gavros.

An important aspect of any business and particularly a **Community Bank**® branch is having friendly customer orientated staff. Branch Manager Andrew Gardner, Natalie Romero (Customer Relationship Officer) and the Customer Service Officers Erin McColley, Kylie Durrant and Simone Nicholson have sound knowledge of banking and the willingness of staff to assist customers and also promote the branch outside normal work hours is greatly appreciated by the Board.

At the last Annual General Meeting Sam McCurdy was appointed as a Director. The Directors have contributed a lot of time, energy and expertise for the **Community Bank**® branch and company. Board members have undertaken Planning and Governance matters including revisions of our Strategic Plans and Business Plan. In addition, Board members have

Chairman's report (continued)

attended functions and meetings in connection with sponsorships, National and State **Community Bank**® Conferences as well as other training. In addition Board Members have expended considerable time on strategic issues to plan the development of business opportunities to further increase business of the branch. Thank you to all Board members for their contributions and commitment to their responsibilities as Directors of a Public Company. There is much participation required of Directors outside of attending Board and committee meetings and I acknowledge the voluntary commitment the Directors provided during the year.

Finally, the continued support of the shareholders is greatly appreciated and has assisted the growth of our **Community Bank**® branch business. With your continued support, combined with the efforts of the staff and Board members, we can improve our trading and financial position and benefits will be flowing to shareholders and to the local Community.

Graeme J. Taylor FCA.
Chairman

Manager's report

For year ending 30 June 2017

Welcome to the ninth Annual Report for the Beaconsfield District **Community Bank**® Branch. The branch has continued to grow over the 2016/17 financial year as a result of networking and building relationships in the community with our local businesses, organisations and our involvement in community events. I am pleased to announce our growth over the past 12 months has been strong. Our deposits have grown by $12 million and lending has grown by $4 million. A great effort by our committed staff and Board members. Our total business footings are great proof of the strength of our business. The **Community Bank**® branch, in conjunction with our shareholders, have not only assisted the growth of the business, but are also making a significant contribution to the community. We have passed 2,500 account holders, another milestone for our business and our account holders are spread right throughout the Beaconsfield district area.

In 2017/18 the branch will look to re-engage with its existing clients to help grow the business and reward the customers that have banked with us for many years. As a branch we will also look to deploy some marketing initiatives that will also allow us to connect with potential clients in the surrounding suburbs that are yet to bank with Bendigo Bank.

I would like to take this opportunity to thank and congratulate the following:

- The Board of Directors for their support and achievements in helping to grow our business. We would not have been able to achieve our great result without the stability and strength from our committed Board over the entire year.
- To the shareholders and customers for their ongoing support for entrusting us with the responsibility of taking care of their banking needs.

Now, where would I be without my fantastic staff Nat, Kylie, Erin and Simone? All the girls work well together and are very enthusiastic and passionate about their job and their community. We are all involved in various community groups, which is what our **Community Bank**® branch is all about. We look forward to a good year ahead and some exciting things happening for our business and our communities, and more investment in community groups. All of us here at the Beaconsfield District **Community Bank**® Branch are really looking forward to your continued support of our business and all our local community businesses. Keep supporting our great business that supports and invests so much into your communities.

Andrew Gardner
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2017

As we approach 20 years since the first **Community Bank®** branch opened its doors, it's timely to reflect on the role of our network's 70,000-strong shareholders and its army of nearly 2,000 passionate local Directors.

As a group of people you are a powerful force that continues to influence change both locally and nationally.

United for a shared purpose in your communities, you are making big things happen beyond the delivery of great banking products and services; you're creating jobs, helping businesses to thrive, solving problems and achieving outcomes that will make your communities better places to live and do business.

Amongst other things, you are providing hundreds of thousands of people in communities around Australia with new opportunities to:

- Play sport in new **Community Bank®** funded centres.
- Continue their education thanks to a **Community Bank®** scholarship.
- Seek treatment in hospitals closer to home with equipment funded through a **Community Bank®** grant.
- Reap the environmental benefits of **Community Bank®** funded solar panels and LED lighting, and
- Access mental health services for teenage children with a service supported by a local **Community Bank®** branch.

In fact, since the model's inception your investment in local communities exceeds $165 million and that figure continues to grow every year. This amount excludes the significant co-investment on key projects that many companies have obtained from Government and other parties.

Nationally our voices are increasingly being heard, and our collaborative approach recognised and celebrated.

Representing us all at a recent forum at Canberra's Parliament House, Bendigo Bank's Managing Director and Chairman reinforced the significance of the **Community Bank®** model's achievements and called for regulatory change that would help us compete in a crowded and ever-evolving banking sector. Just two months later, the Federal Government announced a levy on Australia's biggest banks that is set to re-level the playing field as we've regularly advocated for.

But for us this is more than a levy. The Turnbull Government's announcement recognises the importance of customers having access to a robust, competitive and customer-focused banking sector. On this note Bendigo Bank was recently recognised as the banking provider of choice in the annual Mozo People's Choice Awards. Better yet, out of 110 banking providers nationally, we were the only bank recognised in all eight banking categories – and were rated the leading bank in six of those eight categories.

This is an extraordinary achievement for you and our bank. Not only does it demonstrate that, in the eyes of our customers, we are doing something right – it very clearly outlines that together we can continue to achieve results.

As we've long known, the more successful our customers are, the stronger our communities become. In this regard the **Community Bank®** model enables these outcomes for customers and communities, as increasingly recognised by more and more Australians.

So thank you for your investment in your local **Community Bank®** company, for your ongoing contribution and support, tireless advocacy and continued commitment to building strong local communities. Without this, our **Community Bank®** branches would be just another bank.

Robert Musgrove
Executive Engagement Innovation

Treasurer's report

For year ending 30 June 2017

This financial report covers the year ended 30 June 2017 with comparative amounts for previous annual periods.

The financial performance as set out in the following table compares actual results for the last four financial periods, with the budgeted 2016/17 income and expenditure approved by the company's Board of Directors.

	Actual Results $'000				Budget $'000	Budget Variation Favourable (unfavourable)
	2013/14	**2014/15**	**2015/16**	**2016/17**	**2016/17**	
Revenue from activities	**428**	**479**	**528**	**617**	**597**	**20**
Salaries & employment costs	295	304	318	344	342	- 2
Depreciation & amortisation	39	33	31	26	26	0
Administration & other costs	218	239	216	207	204	-3
Total Expenses	**552**	**576**	**565**	**577**	**572**	**-5**
Net Profit (Loss) before tax	(124)	(97)	(37)	40	25	15

A $40,000 inaugural profit is a pleasing result and a turnaround of near $80,000 over the previous year result. While part of the turnaround can be attributed to a restructure of revenue sharing by our partner Bendigo and Adelaide Bank, an income stream in excess if budget is welcome together with expenses again being held close to budget.

The company has been afforded a continued overdraft facility by Bendigo and Adelaide Bank. This facility was recently reduced in light of our latest positive performance which is considered sustainable. Our 2017/18 budget approved by them falls within this facility limit. At time of writing, company performance sees us tracking ahead of budget in the first three months of the year, despite opinion that it will not be an easy year for the banking industry.

2017/18 budget is summarised as follows:

Revenue from activities including MDF	**$701,843**
Salaries and employment costs	$350,170
Depreciation and amortisation	$24,262
Administrative and other costs	$206,783
Net profit	**$120,628**

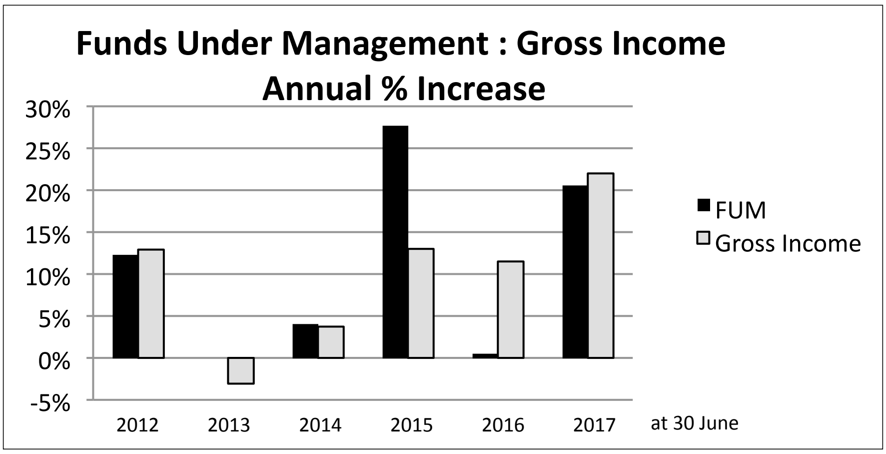
Our book remains deposit orientated while continued growth in lending has driven our greater income stream.
The graphs at the foot of this report reflect our business growth (deposits and loans) and percentage increase in Funds Under Management compared with related increase in gross revenue.

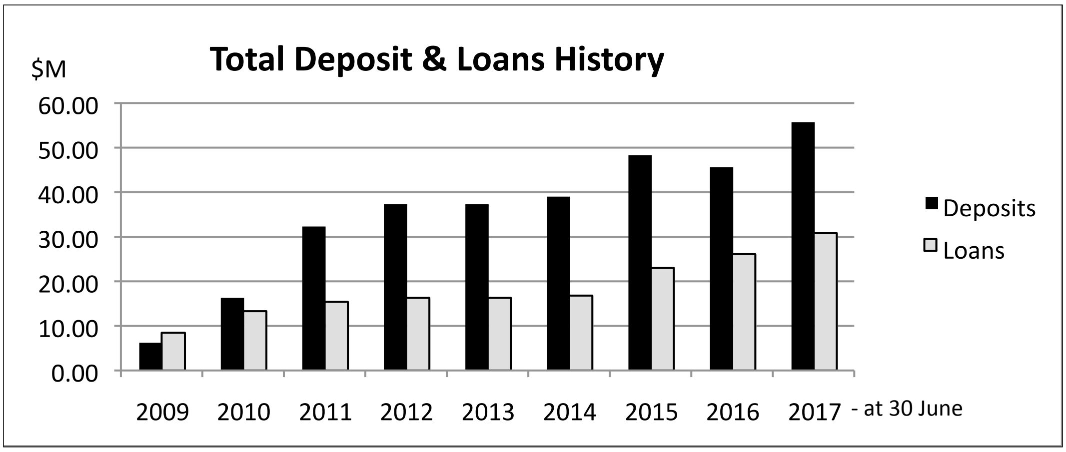
Continued concentration on improvement in our lending position remains a priority. Support of shareholders in directing any new business opportunities to our branch will greatly assist.

The Finance Committee acknowledges the assistance of the Board of Directors, our Branch Manager, Andrew Gardner and his staff, as well as the various administrative staff of Bendigo and Adelaide Bank. I also thank other Finance Committee Members, Graeme Taylor and Rohan Treasure.

Treasurer's report (continued)

Again I particularly thank Michelle Wheeler, Chartered Accountant for again capably handling all our accounting and taxation compliance matters including BAS and IAS returns, preparation of Statutory Financial Reports and liaising with the Auditors. The work undertaken by Michelle has allowed Directors to devote more time to other aspects of the business and is truly appreciated.





Maurice Potter
Treasurer

Directors' report

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 Beaconsfield District Community Financial Services Limited during or since the end of the financial year up to the date of this report:

Graeme James Taylor

Position	Director
Professional qualifications	Fellowship of the Institute of Chartered Accountants Australia and New Zealand
Experience and expertise	Many years experience as a practicing Chartered Accountant.

John Edward French

Position	Director
Professional qualifications	-
Experience and expertise	Many years of business experience as a Training Services Manager.

Carol Anne Porter

Position	Director
Professional qualifications	-
Experience and expertise	Many years of business experience as a Partner in Plumbing Business.

Rohan James Treasure

Position	Director
Professional qualifications	-
Experience and expertise	Many years of business experience as the Managing Director of a Beaconsfield Home Timber & Hardware.

Gerald James Treasure

Position	Director
Professional qualifications	-
Experience and expertise	Many years of business experience as the Managing Director of a Beaconsfield Home Timber & Hardware (now retired).

Gregory James Tomamichel

Position	Director, Resigned July 2016
Professional qualifications	BEng (Mech) and BSc (Physics)
Experience and expertise	Many years of business experience as a Mechanical Engineer.

David Edward Nutter

Position	Director
Professional qualifications	-
Experience and expertise	Retired. Many years of business experience as a Motor Vehicle Dealer.

Sam McCurdy

Position	Director, Appointed November 2016
Professional qualifications	BSc (Hons) and Dip Ed
Experience and expertise	Consultant, Training Programs.

Directors (continued)

Maurice Lisle Potter

Position	Company Secretary & Director
Professional qualifications	-
Experience and expertise	Retired. Many years of business experience as a Bank Officer.

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings	
Director	**A**	**B**
Graeme James Taylor	12	12
John Edward French	12	9
Carol Anne Porter	12	11
Rohan James Treasure	12	11
Gerald James Treasure	12	11
David Edward Nutter	12	11
Gregory James Tomamichel	1	0
Samuel Bunting Lavery McCurdy	8	7
Maurice Lisle Potter	12	9

A - The number of meetings eligible to attend.
B - The number of meetings attended.

Company Secretary

Maurice Potter has been the Company Secretary of Beaconsfield District Community Financial Services Limited since 2009.

Maurice's qualifications and experience include 43 years service with the National Australia Bank, mostly in specialist administration and system development roles.

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 $29,007 (2016 loss: $54,232), which is a 154% increase as compared with the previous year. This increase is due to the new funds transfer pricing model implemented by Bendigo and Adelaide Bank Limited resulting in a 27% increase in revenue.

Dividends

No dividend has been declared or paid for the year ended 30 June 2017.

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.

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 out page 11 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 Beaconsfield on 4 October 2017.

Graeme James Taylor
Director

Auditor's independence declaration

rsd Audit

Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552

Ph: (03) 5445 4200
admin@rsdaudit.com.au
www.rsdaudit.com.au

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Beaconsfield District Community Financial Services Limited.

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there has been no contraventions of:

(i) the Auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSD Audit
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 5 October 2017

Financial statements

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

	Notes	2017 $	2016 $
Revenue	2	617,360	527,740
Expenses			
Employee benefits expense	3	(343,513)	(336,574)
Depreciation and amortisation	3	(25,708)	(30,657)
Finance costs	3	(6,824)	(7,974)
Bad and doubtful debts expense	3	73	(188)
Occupancy expenses		(65,077)	(60,526)
IT expenses		(32,684)	(33,214)
Administration and general costs		(38,477)	(39,458)
Advertsing and marketing expenses		(12,895)	(6,019)
Insurance expenses		(12,811)	(11,523)
Professional fees		(10,299)	(6,487)
		(548,215)	**(532,620)**
Operating profit / (loss) before charitable donations and sponsorships		**69,145**	**(4,880)**
Charitable donations and sponsorships		(29,135)	(32,326)
Profit / (loss) before income tax		**40,010**	**(37,206)**
Income tax expense	4	(11,003)	(17,026)
Profit/(loss) for the year		**29,007**	**(54,232)**
Other comprehensive income		-	-
Total comprehensive income for the year		**29,007**	**(54,232)**
Profit / (loss) attributable to members of the company		29,007	(54,232)
Total comprehensive income attributable to members of the company		**29,007**	**(54,232)**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	18	3.79	(7.09)

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

Statement of Financial Position as at 30 June 2017

	Notes	2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents	5	354	211
Trade and other receivables	6	52,958	41,639
Other assets	8	15,093	16,295
Total current assets		**68,405**	**58,145**
Non-current assets			
Plant and equipment	9	73,101	85,069
Intangible assets	10	45,235	58,975
Deferred tax assets	4	222,820	233,823
Total non-current assets		**341,156**	**377,867**
Total assets		**409,561**	**436,012**
Liabilities			
Current liabilities			
Trade and other payables	11	41,012	42,842
Borrowings	13	159,318	206,930
Provisions	14	38,302	25,396
Total current liabilities		**238,632**	**275,168**
Non-current liabilities			
Trade and other payables	11	14,315	28,630
Provisions	14	7,484	12,091
Total non-current liabilities		**21,799**	**40,721**
Total liabilities		**260,431**	**315,889**
Net assets		**149,130**	**120,123**
Equity			
Issued capital	15	748,476	748,476
Accumulated losses	16	(599,346)	(628,353)
Total equity		**149,130**	**120,123**

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

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

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2015	**748,476**	**(574,121)**	**174,355**
Loss for the year	-	(54,232)	(54,232)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(54,232)	(54,232)
Balance at 30 June 2016	**748,476**	**(628,353)**	**120,123**
Balance at 1 July 2016	**748,476**	**(628,353)**	**120,123**
Profit for the year	-	29,007	29,007
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	29,007	29,007
Balance at 30 June 2017	**748,476**	**(599,346)**	**149,130**

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

Statement of Cash Flows
for the year ended 30 June 2017

	Notes	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		667,840	574,938
Payments to suppliers and employees		(598,946)	(584,235)
Interest paid		(6,824)	(7,974)
Net cash provided by / (used in) operating activities	**19b**	**62,070**	**(17,271)**
Cash flows from investing activities			
Purchase of intangible assets		(14,315)	(12,736)
Net cash flows used in investing activities		**(14,315)**	**(12,736)**
Net increase / (decrease) in cash held		47,755	(30,007)
Cash and cash equivalents at beginning of financial year		(206,719)	(176,712)
Cash and cash equivalents at end of financial year	**19a**	**(158,964)**	**(206,719)**

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

Notes to the financial statements

For year ended 30 June 2017

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

Beaconsfield District Community Financial Services Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 4 October 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, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

<u>Economic dependency</u>

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branch at 6/52-62 Old Princes Highway Beaconsfield.

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Going concern

As at 30 June 2017, the company has a working capital deficiency of $170,227 (2016: $217,023), raising concerns about the company's ability to continue as a going concern.

For the year, the entity recognised a profit before tax of $40,010 (2016: $37,206) against a budgeted profit before tax of $24,717. The cash flow from operations also improved, from a deficit of $17,271 for 2015-16, to a surplus of $62,070 for 2016-17.

The company meets its day-to-day working capital requirements through an overdraft facility with an approved limit of $200,000. This facility was drawn to $159,152 as at 30 June 2017.

Bendigo and Adelaide Bank Limited has confirmed that it will continue to support the company and its operations for the 2017/18 financial year and beyond through the provision of an overdraft facility on normal commercial terms and conditions to assist with working capital requirements. The support is provided on the basis that the company continues to fulfill its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

The Directors will continue to review the growth and cash flow forecasts throughout 2017/18, and continue to implement measures to preserve cash and secure additional finance.

Based on the above, and after making additional enquiries, the Directors believe that it is reasonably foreseeable that the company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

(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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(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 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.

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)

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.

Note 1. Summary of significant accounting policies (continued)

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

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

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;
- 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.

Other income

Other revenue is recognised when the right to the income has been established.

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

	2017 $	2016 $

Note 2. Revenue (continued)

	2017 $	2016 $
Revenue		
- service commissions	575,498	477,608
	575,498	**477,608**
Other revenue		
- other revenue	41,862	50,132
	41,862	**50,132**
Total revenue	**617,360**	**527,740**

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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

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.

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

Class of asset	**Rate**	**Method**
Leasehold improvements	7%	SL
Plant and equipment	10% - 100%	SL

SL = Straight Line Depreciation

	2017 $	2016 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	297,500	291,766
- superannuation costs	25,649	25,740
- other costs	9,068	7,738
	332,217	**325,244**

	2017 $	2016 $
Note 3. Expenses (continued)		
Depreciation and amortisation		
Depreciation		
- plant and equipment	4,058	9,008
- leasehold improvements	7,910	7,910
	11,968	**16,918**
Amortisation		
- franchise fees	13,740	13,740
Total depreciation and amortisation	**25,708**	**30,658**
Finance costs		
- Interest paid	6,823	7,974
Bad and doubtful debts expenses/(recovery)	(73)	188
Auditors' remuneration		
Remuneration of the Auditor, Richmond, Sinnott & Delahunty, for:		
- Audit or review of the financial report	5,925	5,100
- Share registry services	1,300	1,250
	7,225	**6,350**

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 are measured at the amounts expected to be paid to 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.

Notes to the financial statements (continued)

	2017 $	2016 $
Note 4. Income tax (continued)		
a. The components of tax expense comprise:		
Current tax expense	15,142	-
Deferred tax expense	11,003	10,651
Recoupment of prior year tax losses	(15,142)	6,375
	11,003	**17,026**
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% (2016: 28.5%)	11,003	(10,604)
Add tax effect of:		
- Change in company tax rates	-	20,726
- Under / (over) provision of prior years	-	6,375
- Non-deductible expenses	-	529
Income tax attributable to the entity	**11,003**	**17,026**
The applicable weighted average effective tax rate is:	27.50%	45.76%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	-	-
Current tax	15,142	-
Recoupment of prior year loss	(15,142)	
	-	**-**
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Accruals	171	20
Employee provisions	12,591	10,309
Unused tax losses	229,346	244,646
	242,108	**254,975**
Deferred tax liabilities balance comprises:		
Prepayments	3,287	3,618
Property, plant & equipment	16,001	17,534
	19,288	**21,152**
Net deferred tax asset	**222,820**	**233,823**

	2017 $	2016 $

Note 4. Income tax (continued)

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

	2017 $	2016 $
Decrease / (increase) in deferred tax assets	12,867	13,212
(Decrease) / increase in deferred tax liabilities	(1,864)	(2,561)
Under / (over) provision prior years	-	6,375
	11,003	**17,026**

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	354	211
	354	**211**

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.

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.

	2017 $	2016 $
Current		
Trade receivables	52,958	41,639
	52,958	**41,639**

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.

	2017 $	2016 $

Note 6. Trade and other receivables (continued)

Credit risk (continued)

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

	Gross amount $	Not past due $	Past due but not impaired			Past due and impaired $
			< 30 days $	31-60 days $	> 60 days $	
2017						
Trade receivables	52,958	52,958	-	-	-	-
Total	**52,958**	**52,958**	**-**	**-**	**-**	**-**
2016						
Trade receivables	41,639	41,639	-	-	-	-
Total	**41,639**	**41,639**	**-**	**-**	**-**	**-**

Note 7. Financial assets

Classification of financial assets

The company classifies its financial assets as loans and receivables.

Classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at the end of each reporting period.

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

Measurement of financial assets

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

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

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

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

Note 7. Financial assets (continued)

Impairment of financial assets

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

Derecognition

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

Note 8. 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.

	2017 $	2016 $
Prepayments	11,953	13,155
Security bond	3,140	3,140
	15,093	**16,295**

Note 9. Plant and equipment

Plant and equipment are 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.

Note 9. Plant and equipment (continued)

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.

	2017 $	2016 $
Leasehold improvements		
At cost	118,595	118,595
Less accumulated depreciation	(61,298)	(53,388)
	57,297	**65,207**
Plant and equipment		
At cost	95,371	95,371
Less accumulated depreciation	(79,567)	(75,509)
	15,804	**19,862**
Total Plant and equipment	**73,101**	**85,069**
Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the reporting period	65,207	73,117
Depreciation expense	(7,910)	(7,910)
Balance at the end of the reporting period	**57,297**	**65,207**
Plant and equipment		
Balance at the beginning of the reporting period	19,862	28,870
Depreciation expense	(4,058)	(9,008)
Balance at the end of the reporting period	**15,804**	**19,862**
Total plant and equipment		
Balance at the beginning of the reporting period	85,069	101,987
Depreciation expense	(11,968)	(16,918)
Balance at the end of the reporting period	**73,101**	**85,069**

Note 10. 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.

Goodwill is not amortized, but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they may be impaired. Goodwill represents the amount paid for the transfer of customers from other branches. An impairment loss is recognized for the amount by which the carrying amount exceeds its recoverable amount.

	2017 $	2016 $
Franchise fee		
At cost	68,713	68,713
Less accumulated amortisation	(38,358)	(24,618)
	30,355	**44,095**
Goodwill		
At cost	14,880	14,880
	14,880	**14,880**
Total intangible assets	**45,235**	**58,975**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	44,095	57,835
Amortisation expense	(13,740)	(13,740)
Balance at the end of the reporting period	**30,355**	**44,095**
Goodwill		
Balance at the beginning of the reporting period	14,880	14,880
Balance at the end of the reporting period	**14,880**	**14,880**
Total intangible assets		
Balance at the beginning of the reporting period	58,975	72,715
Amortisation expense	(13,740)	(13,740)
Balance at the end of the reporting period	**45,235**	**58,975**

Note 11. 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 $

Note 11. Trade and other payables (continued)

	2017 $	2016 $
Current		
Unsecured liabilities:		
Trade creditors	15,988	16,677
Other creditors and accruals	25,024	26,165
	41,012	**42,842**
Non Current		
Trade creditors	14,315	28,630
	14,315	**28,630**
Total trade and other payables	**55,327**	**71,472**

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

Note 12. Financial liabilities

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

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

Note 13. Borrowings

	2017 $	2016 $
Current		
Unsecured liabilities		
Bank overdraft	159,318	206,930
Total borrowings	**159,318**	**206,930**

(a) Bank overdraft

The company has an overdraft facility of $200,000 which is subject to normal commercial terms and conditions.

The overdraft is unsecured, and attracts an interest rate of 3.80% pa.

Note 14. 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 and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

	2017 $	2016 $
Current		
Employee benefits	38,302	25,396
Non-current		
Employee benefits	7,484	12,091
Total provisions	**45,786**	**37,487**

Note 15. 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.

	2017 $	2016 $
764,961 Ordinary shares fully paid	764,961	764,961
Less: Equity raising costs	(16,485)	(16,485)
	748,476	**748,476**

	2017 $	2016 $

Note 15. Share capital (continued)

Movements in share capital

Fully paid ordinary shares:		
At the beginning of the reporting period	764,961	764,961
Shares issued during the year	-	-
At the end of the reporting period	**764,961**	**764,961**

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 $

Note 16. Accumulated losses

Balance at the beginning of the reporting period	(628,353)	(574,121)
Profit/(loss) after income tax	29,007	(54,232)
Balance at the end of the reporting period	**(599,346)**	**(628,353)**

Note 17. Dividends paid or provided for on ordinary shares

No dividend has been paid or declared during the year (2016:Nil)

Note 18. 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.

	2017 $	**2016 $**
Basic earnings per share (cents)	3.79	(7.09)
Earnings used in calculating basic earnings per share	29,007	(54,232)
Weighted average number of ordinary shares used in calculating basic earnings per share.	764,961	764,961

Note 19. 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)	354	211
Less bank overdraft (Note 13)	(159,318)	(206,930)
As per the Statement of Cash Flow	**(158,964)**	**(206,719)**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit / (loss) after income tax	29,007	(54,232)
Non-cash flows in profit		
- Depreciation	11,968	16,918
- Amortisation	13,740	13,740
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(11,319)	(5,388)
- (increase) / decrease in prepayments and other assets	1,202	(5,662)
- (Increase) / decrease in deferred tax asset	11,003	17,026
- Increase / (decrease) in trade and other payables	(1,830)	(6,413)
- Increase / (decrease) in provisions	8,299	6,740
Net cash flows from / (used in) operating activities	**62,070**	**(17,271)**

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft facility amounting to $200,000 (2016: $250,000). This may be terminated at any time at the option of the bank. At 30 June 2017, $159,152 of this facility was used (2016: $206,078). Variable interest rates apply to this overdraft facility.

Note 20. 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.

No Director of the company receives remuneration for services as a company Director or committee member. There are no executives within the company whose remuneration is required to be disclosed.

(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

Other than detailed below, 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.

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

Name of related party	Description of goods/services	Value $
Beaconsfield Home Timber & Hardware - Rohan Treasure	Purchase of general hardware items	430

The Beaconsfield District Community Financial Services Limited has not accepted the Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges package.

(d) Key management personnel shareholdings

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

	2017	2016
Graeme James Taylor	10,001	10,001
John Edward French	5,001	5,001
Carol Anne Porter	5,001	5,001
Rohan James Treasure	20,501	20,501
Gregory James Tomamichel	7,000	7,000
David Edward Nutter	5,000	5,000
Gerald James Treasure	11,501	11,501
Samuel Bunting Lavery McCurdy	-	-
Maurice Lile Potter	1,501	1,501
	65,506	**65,506**

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.

Note 20. Key management personnel and related party disclosures (continued)

(e) Other key management transactions

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

Note 21. 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 22. Contingent liabilities and contingent assets

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

Note 23. 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 6/52-62 Old Princes Highway, Beaconsfield, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2016: 100%).

Note 24. 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	41,855	41,020
- between 12 months and five years	50,802	90,847
- greater than five years	-	-
Minimum lease payments	**92,657**	**131,867**

Note 25. Company details

The registered office and principle place of business is 6/52-62 Old Princes Highway, Beaconsfield, Victoria.

Note 26. Financial risk management

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Note 26. Financial risk management (continued)

Specific financial risk exposure and management

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

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

	Note	2017 $	2016 $
Financial assets			
Cash and cash equivalents	5	354	211
Trade and other receivables	6	52,958	41,639
Total financial assets		**53,312**	**41,850**
Financial liabilities			
Trade and other payables	11	55,327	71,472
Bank overdraft	13	159,318	206,930
Total financial liabilities		**214,645**	**278,402**

(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.

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.

Note 26. Financial risk management (continued)

(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.

In addition the company has established an overdraft facility of $200,000 with Bendigo and Adelaide Bank Limited. The undrawn amount of this facility is $40,848 (2016: $43,070).

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 2017	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents		354	354	-	-
Trade and other receivables		52,958	52,958	-	-
Total anticipated inflows		**53,312**	**53,312**	**-**	**-**
Financial liabilities					
Trade and other payables		55,327	41,012	14,315	-
Bank overdraft *	3.80%	159,318	159,318	-	-
Total expected outflows		**214,645**	**200,330**	**14,315**	**-**
Net inflow / (outflow) on financial instruments		**(161,333)**	**(147,018)**	**(14,315)**	**-**

Note 26. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents		211	211	-	-
Trade and other receivables		41,639	41,639	-	-
Total anticipated inflows		**41,850**	**41,850**	**-**	**-**
Financial liabilities					
Trade and other payables		71,472	42,842	28,630	-
Bank overdraft *	4.29%	206,930	206,930	-	-
Total expected outflows		**278,402**	**249,772**	**28,630**	**-**
Net inflow / (outflow) on financial instruments		**(236,552)**	**(207,922)**	**(28,630)**	**-**

* 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.

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 $
Year ended 30 June 2017		
+/- 1% in interest rates (interest income)	4	4
+/- 1% in interest rates (interest expense)	(1,593)	(1,593)
	(1,590)	**(1,590)**

Note 26. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

	Profit $	Equity $
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	2	2
+/- 1% in interest rates (interest expense)	(2,069)	(2,069)
	(2,067)	**(2,067)**

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.

(e) 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.

	2017		2016	
	Carrying amount $	Fair value $	Carrying amount $	Fair Value $
Financial assets				
Cash and cash equivalents (i)	354	354	211	211
Trade and other receivables (i)	52,958	52,958	41,639	41,639
Total financial assets	**53,312**	**53,312**	**41,850**	**41,850**
Financial liabilities				
Trade and other payables (i)	55,327	55,327	71,472	71,472
Bank overdraft	159,318	159,318	206,930	206,930
Total financial liabilities	**214,645**	**214,645**	**278,402**	**278,402**

(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 Beaconsfield District Community Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 12 to 38 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.

Graeme James Taylor
Director

Signed at Beaconsfield on 4 October 2017.

Independent audit report

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS BEACONSFIELD DISTRICT COMMUNITY FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Beaconsfield District Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion:

(a) the financial report of Beaconsfield District Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001;* and

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(a) to the financial statements which highlights a material uncertainty regarding the going concern basis of accounting. The company has a working capital deficiency of $170,227 as at 30 June 2017. Furthermore, included within the net asset of the entity is $229,346 of deferred taxes in relation to carried forward tax losses, which can only be utilised against future taxable profits. These conditions, along with other matters further detailed in note 1(a), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our audit report is not modified in respect of this matter.

Basis for Opinion

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

Richmond Sinnott & Delahunty, trading as RSD Audit
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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

Director's Responsibility for the Financial Report

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

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

Auditor's Responsibility

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

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

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

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

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

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

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. On connection with our audit of the financial report, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSD AUDIT
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 5 October 2017

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