Annual Report 2018

Beaumaris Community Financial Services Ltd

ABN 25 100 506 643

Beaumaris **Community Bank**® Branch

Contents

Chair’s report

For year ending 30 June 2018

It is my pleasure to present the 16th Annual Report of Beaumaris Community Financial Services Limited.

Our financial achievements

I am pleased to announce that your company had an excellent year.

- Our footings (ie. the size of our business) grew by **$7.3m** to **$120.8m**. This represents an increase of **6.4%**.
- Our profit before income tax was up **53%** over the previous year to finish at **$41,334**.
- And while our business is still weighted heavily towards Deposits, it was our Loans that provided much of the growth increasing **36%** to **$28.4m** while our Deposits increased by only **$0.3m** to **$85.3m**. The balancing item “Wealth Products and Other Business” declined slightly to **$7.1m**.
- Shareholder equity increased by **$27,990** to **$390,529** – an increase of **7.7%**.

Based on these excellent figures, the Board has resolved to pay a $0.05 per share dividend for the 2017/18 financial year. This will be paid on Friday 9 November 2018.

I need to advise shareholders that this year, we changed our audit provider from RSD Audit in Bendigo to Ashfords Audit and Assurance located in Dingley. Ashfords already service a number of **Community Bank**®s and being local, will provide a more streamlined audit process.

After reviewing our 2017/18 accounts, Ashfords Audit and Assurance recommended a change in the depreciation rate of our Leasehold Improvements from the 2.5% used by RSD Audit to 6.25%. In short, this meant a write-down of $29,000 more than it would have been under the lower rate of 2.5%. The Board has decided to accept Ashfords’ recommendation as the higher rate is in line with the Australian Accounting Standards and allows for a full depreciation over the term of our lease of 16 years. The lower rate allowed for a 40 year depreciation. For the sake of comparison, 2016/17 figures in this report have been adjusted to reflect the higher depreciation rate.

Our Community dividend

During the year, we provided various sponsorships and grants totaling **$13,340** spread across 18 community groups. This was in line with last year’s contributions.

Several activities are worth mentioning:

• We proudly supported *Griefline Community and Family Services* with a sponsorship donation, several raffles and participating in the Chamberlain Foundation’s Razor Ride. This charity event, held with the support of other **Community Bank**®s and Bendigo Bank, raised in excess of $100,000 for *Griefline*.

• We continued our partnership with *Beaumaris Rotary* with our regular attendance at the Beaumaris Rotary Farmers Market. Our attendance gives us the opportunity to promote the **Community Bank**® story and gives local volunteer groups the chance to join us and tell their story.

• In February 2018, the new Beaumaris Secondary College opened and in May, we proudly sponsored a “body awareness” workshop for the Year 7 students facilitated by the *Butterfly Foundation*. We hope to have other opportunities to build our relationship with the College.

• We continue to support our local traders through sponsorship of the *Concourse Car and Bike Show* and the *Concourse Christmas Carnival*. A special mention must go to our Manager, Lew Rimington, for being such an effective President of the Concourse Traders Association and giving it a new lease of life.

Chair's report (continued)

Our Community dividend

Last year, I spoke about our sponsorship of the new Beaumaris Sports Club at Banksia Reserve. The new building opened in December of 2017 but the Club has not been able to deliver on many of the goals outlined in our Memorandum of Understanding. Your Board decided that the sponsorship would not deliver value to shareholders and, after discussions with the Sports Club, the MoU has been put aside. We will now consider sponsorships and grants for the three individual codes that make up the Club. This will give us access to a larger membership base and represents better value for shareholders.

Finally, I'm pleased to advise that since inception in 2002, your **Community Bank**® has now returned over $430,000 back to the community.

This is a good opportunity to thank those of you who are already banking with us. We must all keep telling the story as to how the **Community Bank**® model works. The stronger our Bank becomes, the bigger the investment back into our community – a simple message that should be strongly promoted by us all!

Our Branch and Board Team

I would like to take this opportunity to thank our Branch Manager, Lew Rimington and his team for their professionalism and their commitment to providing exceptional service in the branch. This is what makes us stand apart from our competitors and it is our unique point of difference. The Branch Team's performance has resulted in some wonderful testimonials from customers during the year.

To all of the volunteer Directors, I thank them also for their support, passion and time they have given to make this **Community Bank**® so successful in 2017/18.

We were pleased to welcome Kate Pease to the Board this year as a Junior Observer. Kate is a first year Bachelor of Commerce student at the University of Melbourne. The role of Junior Observer is to provide the candidate with the opportunity to learn the principles of how a Board functions and help us to connect with our younger demographics. I thank Kate for her participation and, in particular, for her involvement with the Beaumaris Secondary College.

Bendigo Bank

Finally, I would like to thank our franchise partner, Bendigo and Adelaide Bank. Tracy Kelly joined us during the year as Regional Manager assisting Lew and his team. Special thanks go to Mark Nolan for the support he has given to the Board as our Regional Community Manager.

Conclusion

In conclusion, we are excited about the year ahead. Your company is growing and the Board and management have put strategies in place to take advantage of the opportunities that present themselves.

But again, we need your help. Please consider us for your banking needs, and whether you would like to join our team as a voluntary Director. Tell your family and friends so that we can continue to grow this business and make a positive change in our community.

Chris Shaw
Chair

Manager’s report

For year ending 30 June 2018

This year’s Annual General Meeting marks my third as your Beaumaris **Community Bank**® Bank Manager.

In 2018 the Bendigo **Community Bank**® shared value model celebrated its 20-year anniversary. The shared value journey has been a successful one with the Bendigo and Adelaide Bank being recognised at number 13 in the world on the “Fortune Change the World” list, and in the recent win as the “Corporate Organisation Leading through Shared Value” at the shared value awards.

Closer to home, the Bendigo and Adelaide Bank was again recognised by Roy Morgan Research as having the most satisfied customers of the top 10 largest Banks.

With the media and public spotlight regularly on all financial institutions now, it is pleasing to see the Bendigo and Adelaide Bank at the forefront of consumer bank satisfaction ratings. This underlines how important it is to put our customers at the centre of all we do.

The well-publicised tough banking conditions prevailed in 2018. Despite this, we continue with the business of increasing our branch footings. Our loans growth over the last 2 ½ years now represents nearly 23% of our overall footings; up from 15%. An important result toward balancing our footings book.

Further, we improved our overall footings to over $120m and our aim is to reach $130m for the 2019 financial year, a target we appear on track to achieve.

Once again, we were able to return a profit based on our improved footings and a disciplined approach to containing operating expenditure.

Elsewhere, team members Jonalyn and Sue took up new positions within the Bendigo and Adelaide Bank group based on their lifestyle needs. We welcomed new staff in Rochelle and Thomas to our ranks.

Thank you to our Branch Team who support me and continue to receive positive feedback for their unwavering dedication.

Our thanks also to our volunteer **Community Bank**® Board who have also experienced change in their personnel. A special call out to Directors Chris Shaw and Irena Peoples for their support at the branch level.

Regional Community Manager Mark Nolan continued in his role providing a strong conduit between the Bank and the Board, whilst keeping an eye out for myself personally. Tracey Kelly is our new Regional Manager and we look forward to working with her.

Finally, a message to our 350+ shareholders who underpin our branch. We acknowledge your daily contribution and being a loud and proud voice for our **Community Bank**® Branch.

All of us at the Beaumaris **Community Bank**® continue to tell our unique story. We take pride in what we do and set ourselves apart in demonstrating every day how banking can and should be done.

Lewis Rimington
Branch Manger

Bendigo and 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

Director's report

For year ending 30 June 2018

The directors present their report on Beaumaris Community Financial Services Limited for the financial year ended 30 June 2018.

Directors

The names of the directors in office at any time during, or since the end of, the year are:

Names	Appointed/Resigned
Chris Shaw	
Irena Peoples	
Peter Demura	
Janina Puttick	
Anjana Bhatt	Appointed 27 March 2018
Darren Trew	Appointed 6 February 2018
Craig Tucker	Appointed 28 May 2018
Lili James	Resigned 26 September 2017
David Stewart	Resigned 10 April 2018
Terry Michael	Resigned 8 September 2017
Betty Kotevski	Appointed on 5 September 2017 and Resigned on 14 January 2018
Paul Widdis	Resigned 5 August 2018

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Information on directors

The names and details of each person who has been a director during the year and to the date of this report are:

Chris Shaw

Position:	Chairperson (Interim)
Qualifications:	B.Comm, Grad Dip Bus Admin
Experience and expertise:	Many years experience in the fashion industry, initially in manufacturing and then import/distribution. Board member since 2013

Irena Peoples

Position:	Deputy Chair from 29 November 2017, Secretary from 11 June 2018
Qualifications:	B Sci / B Eng [Hons], Master of Global Automotive and Manufacturing Engineering
Experience and expertise:	Irena is a Mechanical Engineer experienced in Project Management, who runs her own business advising importers of whitegoods about registering for an Australian Energy or Water Efficiency Label. Board member since 2017.

Director's report (continued)

Information on directors

Peter Demura

Position:	Treasurer
Qualifications:	MBA, MAppFin, GAICD, B. Comm [Hons]
Experience and expertise:	Strategy, Economics and Risk Consultant. Previously held key management roles in Rio Tinto, DDM Capital, PwC and BHP Billiton. Board member since 2016.

Janina Puttick

Position:	Bookkeeper
Qualifications:	BSc (Chemistry), BBs (Accounting), CPA
Experience and expertise:	Accounting and business administration, Director of Australasian Learning Institute Pty Ltd and Great Barrier Pty Ltd. Board member since 2016.

Anjana Bhatt

Position:	Director
Qualifications:	BA(Hons) Arts, BA(Hons) Law, Admitted to practice as a solicitor in both England, and Victoria, Australia
Experience and expertise:	Anjana recently retired after a career spanning more than 25 years as a corporate lawyer in investment banking. She has substantial expertise in corporate commercial law and in particular financial derivatives and has practiced in a number of jurisdictions.

Darren Trew

Position:	Director
Qualifications:	Bachelor of Economics and Commerce, FCA
Experience and expertise:	Principal in a professional accounting and tax practice for many years

Craig Tucker

Position:	Director
Qualifications:	FAICD, Master of Theology, Grad Cert Transport & Distribution, Diploma in Public Administration, Associate Diploma in Management, Diploma in Project Management
Experience and expertise:	Senior management roles, currently Chief Information Officer at The Salvation Army, Fellow at the Australian Institute of Company Directors

Lili James

Position:	Director - Resigned 26 September 2017
Qualifications:	Dip App Sc (Nursing), Ba App Sc (Midwifery), Grad Dip Child, Health and Community (MCH Nursing), MBA, GAICD
Experience and expertise:	Lili has extensive experience in senior leadership roles in local government. She has held both Manager and Director roles, including most recently with Bayside and Port Phillip City Councils. Lili is currently employed by Port Phillip Council as Manager Safety and Amenity. Lili has passion for community wellbeing, governance and improving performance to enhance the customer experience. Board member since 2017.

Director’s report (continued)

Information on directors

David Stewart

Position:	Director - Resigned 10 April 2018
Qualifications:	B Ed; Grad Dip Sports Science; Masters Business Leadership
Experience and expertise:	Consultant specialising on Culture and Strategy & Business Investment. Principal and founder RYP International and My Word Pty Ltd. Board member since 2016.

Terry Michael

Position:	Director - resigned 8 September 2017
Qualifications:	GMP, MBA, MAICD, MPD, PRINCE2
Experience and expertise:	Terry is a consultant in digital technology working with large corporations and recently completed the General Management Program at Harvard Business School. He is also an accomplished artist. Board member since 2015.

Betty Kotevski

Position:	Director - Appointed 5 September 2017. Resigned 14 January 2018
Qualifications:	BA (Phil/Pol), LLB, LLM
Experience and expertise:	As well as being a practicing lawyer, Betty is also the Company Secretary for Carrum Downs Financial Services Ltd (Carrum Downs **Community Bank**® Branch).

Paul Widdis

Position:	Director - Resigned 5 August 2018
Qualifications:	-
Experience and expertise:	Very experienced in leading a sales and marketing organisation. Board member since 2015.

Company secretary

The following person held the position of Company secretary at the end of the financial year:

The company secretary is Irena Peoples. Irena has been the Company Secretary of Beaumaris Community Financial Services Limited since 2017, taking over from Janina Puttick.

Principal activities

The principal activity of Beaumaris Community Financial Services Limited during the financial year was providing **Community Bank**® branch services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

No significant changes in the nature of the Company's activity occurred during the financial year.

Operating results

The profit of the Company after providing for income tax amounted to $ 27,990 (2017 (Restated): $17,613).

Director’s report (continued)

Review of operations

A review of the operations of the Company during the financial year and the results of those operations show that the profit of the Company before income tax was $ 41,334 (2017 (restated): $ 27,076) which resulted in an increase in profits compared to the prior year. This result is driven by the increase in revenue due to change in change in footings and FTP pricing.

Dividends paid or recommended

There were no dividends paid or declared during the current or previous financial year.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Company during the year.

Matters or circumstances arising after the end of the year

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Future developments and results

The Company will continue its policy of facilitating banking services to the community.

Benefits received directly or indirectly by officers

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

Environmental matters

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

Director’s report (continued)

Meetings of directors

During the financial year, 11 meetings of directors were held. Attendances by each director during the year were as follows:

	Board Directors' Meetings	
	Number eligible to attend	Number attended
Chris Shaw	11	11
Irena Peoples	11	10
Peter Demura	11	9
Janina Puttick	11	9
Anjana Bhatt	3	3
Darren Trew	5	4
Craig Tucker	1	-
Lili James	3	3
David Stewart	9	5
Terry Michael	3	2
Betty Kotevski	4	4
Paul Widdis	11	5

Indemnification and insurance of Officers and Auditors

The Company has indemnified all directors and the manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as directors or manager of the Company except where the liability arises out of conduct involving the lack of good faith. The company also has Officers insurance for the benefit to 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 or a related body corporate.

Proceedings on behalf of company

No person has applied for leave of court under Section 237 of the Corporations Act 2001 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.

Director’s report (continued)

Non-audit services

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

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- the nature of the services provided do not compromise the general principles relating to Auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Details of the amounts paid or payable to the Auditor for audit and non-audit services provided during the year are set out in the notes to the accounts.

Auditor's independence declaration

The lead Auditor's independence declaration in accordance with section 307C of the Corporations Act 2001, for the year ended 30 June 2018 has been received and can be found on page 6 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Deputy Chair: ....
Irena Peoples

Dated 26 September 2018

Auditor's Independence Declaration

Ashfords Audit & Assurance Pty Ltd
ABN 52 138 965 241
Suite 5, 14 Garden Blvd, Dingley VIC 3172
PO Box 1462, Clayton South VIC 3169
(03) 9551 2822
info@ashfords.com.au

Beaumaris Community Financial Services Limited

ABN: 25 100 506 643

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Beaumaris Community Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Ashfords Audit and Assurance

Ashfords Audit and Assurance Pty Ltd
Chartered Accountants

Ryan H. Dummett
Director

26 September 2018

Suite 5,14 Garden Boulevard, Dingley VIC 3172

Liability limited under a scheme approved under professional standards legislation.

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Financial Statements

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

	Note	2018 $	2017 (Restated) $
Revenue	5	668,742	622,794
Employee benefits expense		(398,223)	(321,930)
Depreciation and amortisation expense	6	(22,810)	(24,276)
Advertising and marketing		(14,933)	(18,398)
Occupancy expenses		(59,952)	(68,722)
IT Expenses		(36,824)	(50,272)
Professional fees		(26,644)	(25,939)
Bad debts expense		(178)	(95)
Insurance		(11,745)	(11,498)
Charitable donations and sponsorships		(16,256)	(35,267)
Finance costs	6	(2)	-
Other operating expenses		(39,841)	(39,321)
Profit/(loss)before income tax		**41,334**	**27,076**
Income tax expense	7	(13,344)	(9,463)
Profit/(loss) after income tax		**27,990**	**17,613**
Total comprehensive income for the year		**27,990**	**17,613**
Earnings per share for profit/(loss) attributable to the ordinary shareholders of the Company:		**¢**	**¢**
Basic earnings per share	17	4.78	3.01

The accompanying notes form part of these financial statements.

Financial Statements (continued)

Statement of Financial Position
for the year ended 30 June 2018

	Note	2018 $	2017 (Restated) $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	117,464	91,385
Trade and other receivables	9	63,448	69,382
Financial assets	10	175,000	153,502
Other assets	11	3,627	7,383
TOTAL CURRENT ASSETS		**359,539**	**321,652**
NON-CURRENT ASSETS			
Property, plant and equipment	12	90,428	102,046
Deferred tax assets	16	23,968	37,548
Intangible assets	13	46,712	57,903
TOTAL NON-CURRENT ASSETS		**161,108**	**197,497**
TOTAL ASSETS		**520,647**	**519,149**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	56,842	77,566
Employee benefits	15	11,335	7,955
TOTAL CURRENT LIABILITIES		**68,177**	**85,521**
NON-CURRENT LIABILITIES			
Trade and other payables	14	38,479	51,305
Deferred tax liabilities	16	15,218	15,453
Employee benefits	15	8,244	4,330
TOTAL NON-CURRENT LIABILITIES		**61,941**	**71,088**
TOTAL LIABILITIES		**130,118**	**156,609**
NET ASSETS		**390,529**	**362,540**
EQUITY			
Issued capital	17	526,103	526,103
Accumulated losses		(135,574)	(163,564)
TOTAL EQUITY		**390,529**	**362,539**

The accompanying notes form part of these financial statements.

Financial Statements (continued)

Statement of Changes in Equity for the year ended 30 June 2018

2018

	Issued capital $	Accumulated losses $	Total $
Balance at 1July 2017	526,103	(163,564)	362,539
Profit attributable to members of the entity	-	27,990	27,990
Balance at 30 June 2018	**526,103**	**(135,574)**	**390,529**

2017 (Restated)

	Issued capital $	Accumulated losses $	Total $
Balance at 1 July 2016	526,103	(181,177)	344,926
Profit attributable to members of the entity	-	17,613	17,613
Balance at 30 June 2017	**526,103**	**(163,564)**	**362,539**

The accompanying notes form part of these financial statements.

Financial Statements (continued)

Statement of Cash Flows
for the year ended 30 June 2018

	Note	2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		739,160	663,338
Payments to suppliers and employees		(694,245)	(622,417)
Interest received		2,663	3,719
Net cash provided by/(used in) operating activities	25	**47,578**	**44,640**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of plant and equipment		-	(1,669)
Payment of investments		(21,499)	(153,502)
Net cash used by investing activities		**(21,499)**	**(155,171)**
Net increase/(decrease) in cash and cash equivalents held		26,079	(110,531)
Cash and cash equivalents at beginning of year		91,385	201,916
Cash and cash equivalents at end of financial year	8	**117,464**	**91,385**

The accompanying notes form part of these financial statements.

Notes to the financial statements

The financial report covers Beaumaris Community Financial Services Limited as an individual entity. Beaumaris Community Financial Services Limited is a for-profit Company limited by shares, incorporated and domiciled in Australia.

The functional and presentation currency of Beaumaris Community Financial Services Limited is Australian dollars.

The financial report was authorised for issue by the Directors on 26 September 2018.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001.*

These financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2 Summary of Significant Accounting Policies

(a) Economic dependence

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

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank” and the logo and system of operations 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**® 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**® 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 manager 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
- sales techniques and proper customer relations.

(b) Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises of current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

2 Summary of Significant Accounting Policies

(b) Income Tax

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(c) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(d) Revenue and other income

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

Over the period from September 2013 to February 2015, Bendigo and Adelaide Bank Limited conducted a review of the **Community Bank**® model, known as 'Project Horizon'. This was conducted in consultation with the community banking network. The objective of the review was to develop a shared vision of the **Community Bank**® model that positions it for success now and for the future.

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, director and staff development and a sustainable financial model. This included changes to the financial return for **Community Bank**® companies from 1 July 2016. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products is through margin share. Margin on core banking products is shared on a 50/50 basis.

The franchise agreement provides that three forms of revenue may be earned by the company - margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Notes to the financial statements (continued)

2 Summary of Significant Accounting Policies

(d) Revenue and other income

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days' notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Margin

Margin is arrived at through the following calculation:

Interest paid by customers on loans less interest paid to customers on deposits

plus any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,

minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan. From 1 July 2016, both means the cost for Bendigo and Adelaide Bank Limited to borrow the money in the market.

Products and services on which margin is paid include variable rate deposits and variable rate home loans. From 1 July 2016, examples include Bendigo Bank branded at call deposits, term deposits and home loans.

For those products and services on which margin is paid, the company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products. This also included Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these became margin products from 1 July 2016.

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

If Bendigo and Adelaide Bank Limited makes a change to the margin or commission on core banking products and services, it must not reduce the margin and commission the company receives on core banking products and services Bendigo and Adelaide Bank Limited attributes to the Company to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank Limited's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank Limited may make.

Bendigo and Adelaide Bank Limited must give the Company 30 days' notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

2 Summary of Significant Accounting Policies

(d) Revenue and other income

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank®** companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank®** model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

As discussed above in relation to Project Horizon, among other things, there were changes in the financial return for **Community Bank®** companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin.

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

Other Income

Other income is recognised on an accruals basis when the Company is entitled to it.

(e) Finance costs

Finance cost includes all interest-related expenses, other than those arising from financial assets at fair value through profit or loss.

(f) Goods and services tax (GST)

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

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(g) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Plant and equipment

Plant and equipment are measured using the cost model.

2 Summary of Significant Accounting Policies

(g) Property, plant and equipment

Depreciation

Property, plant and equipment is depreciated on a reducing balance basis over the asset's useful life to the Company, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life on Straight-line method.

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

Plant and equipment	10%-30%
Leasehold improvements	6.25%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(h) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial Assets

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables;
- financial assets at fair value through profit or loss;
- available-for-sale financial assets; and
- held-to-maturity investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Company's trade and other receivables fall into this category of financial instruments.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

In some circumstances, the Company renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Company does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

Notes to the financial statements (continued)

2 Summary of Significant Accounting Policies

(h) Financial instruments

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets:

- acquired principally for the purpose of selling in the near future
- designated by the entity to be carried at fair value through profit or loss upon initial recognition or
- which are derivatives not qualifying for hedge accounting.

The Company has some derivatives which are designated as financial assets at fair value through profit or loss.

Assets included within this category are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or expenses in profit or loss.

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the Company's management to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, with revenue recognised on an effective yield basis. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets or which have been designated in this category.

All available-for-sale financial assets are measured at fair value, with subsequent changes in value recognised in other comprehensive income.

Gains and losses arising from financial instruments classified as available-for-sale are only recognised in profit or loss when they are sold or when the investment is impaired.

In the case of impairment or sale, any gain or loss previously recognised in equity is transferred to the profit or loss.

Losses recognised in the prior period statement of profit or loss and other comprehensive income resulting from the impairment of debt securities are reversed through the statement of profit or loss and other comprehensive income, if the subsequent increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Financial liabilities

Financial liabilities are classified as either financial liabilities ‘at fair value through profit or loss’ or other financial liabilities depending on the purpose for which the liability was acquired. Although the Company uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions.

The Company‘s financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

Impairment of financial assets

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

Notes to the financial statements (continued)

2 Summary of Significant Accounting Policies

(h) Financial instruments

Available-for-sale financial assets

A significant or prolonged decline in value of an available-for-sale asset below its cost is objective evidence of impairment, in this case, the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to other comprehensive income.

(i) Impairment of non-financial assets

At the end of each reporting period the Company determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless of indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

(j) Intangibles

Franchise Fees

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of franchise agreement.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position.

(l) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

2 Summary of Significant Accounting Policies

(m) Trade receivables and payables

Receivables are carried at their amounts due. The delectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

(n) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the statement of profit or loss and other comprehensive income.

Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Provisions for dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(o) Borrowings

All loans are initially measured at the principal amount. Interest is recognised as an expense as it accrues.

(p) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share adjusts the basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(q) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

(r) Adoption of new and revised accounting standards

The following amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) became mandatory effective for accounting periods beginning on or after 1 July 2017, and are therefore relevant for the current financial year.

- AASB 2016-1: Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses, AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15
- AASB 2016-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash Generating Specialised Assets of Not-for-Profit Entities
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014 – 2016 Cycle.

None of the amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatory effective for accounting periods beginning on or after 1 July 2017, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

2 Summary of Significant Accounting Policies

(s) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to early adopt these Standards.

The following table summarises those future requirements, and their effective dates.

Standard Name	Effective date for entity
Interpretation 23 Uncertainty over Income Tax Treatments and AASB 2017-4 Amendments to Australian Accounting Standards - Uncertainty over Income Tax Treatments	1 January 2019
AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements Cycle 2015-2017 Cycle	1 January 2019
AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments [AASB 1, AASB 128, AASB 140]	1 January 2019
AASB 15 Revenue from contracts with customers	1 January 2018
AASB 9 Financial Instruments	1 January 2018
AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	1 January 2018
AASB 16 Leases	1 January 2019
AASB 2017-5 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2022

3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Key estimates - Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the financial statements (continued)

3 Critical Accounting Estimates and Judgments

Key judgments

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the Statement of Profit or Loss and Other Comprehensive Income.

4 Retrospective restatement

During the year the Company changed its depreciation rate for leased assets and leasehold improvements to amortise them over the shorter of either the unexpired period of the lease or their estimated useful life. The Company had previously amortised some leased assets and leasehold improvements over their estimated useful lives of 40 years on a straight-line basis. The lease term of the current lease of the branch premises is 16 years (including option periods). During the year, the Company changed the useful life of the leased assets to 16 years and the depreciation method is continued as straight-line method. As a result of the correction of this error, the depreciation charge for the prior year and accumulated depreciation at 30 June 2017 were restated.

A change in depreciation rate and method was also applied to the opening balance for the comparative period to ensure that the accounting policy was consistently applied to the current and comparative years.

Furthermore, we have identified that the current trade and other payables balance included a portion of the debt for the franchise fee which was not due for 12 months and therefore was reclassified as a non-current liability as at 30 June 2017.

The aggregate effect of the error on the annual financial statements for the year ended 30 June 2017 is as follows:

	30 June 2017			1 July 2016		
	Previously stated $	Adjustments $	Restated $	Previously stated $	Adjustments $	Restated $
Statement of Profit or Loss and Other Comprehensive Income						
Depreciation	19,590	4,686	24,276	-	-	-
Income Tax	(16,150)	6,687	(9,463)	-	-	-
Statement of Financial Position						
Property, plant and equipment	126,362	(24,316)	102,046	132,746	(19,629)	113,117
Deferred Tax Liabilities	22,140	(6,687)	15,453	-	-	-
Trade and other payables - Current	128,871	(51,305)	77,566	-	-	-
Trade and other payables - Non Current	-	51,305	51,305	-	-	-

5 Revenue and Other Income

Revenue from continuing operations

	2018 $	2017 (Restated) $
Sales revenue		
- provision of services	666,079	619,075
Finance income		
- interest received	2,663	3,719
Total Revenue	668,742	622,794

Notes to the financial statements (continued)

6 Result for the Year

The result for the year was derived after charging / (crediting) the following items:

	2018 $	2017 (Restated) $
Finance Costs		
Financial liabilities measured at amortised cost:		
- Interest on master card	2	-
Total finance costs	2	-

The result for the year includes the following specific expenses:

	2018 $	2017 (Restated) $
Other expenses:		
Depreciation expenses		
- Plant & equipment	3,804	4,932
- Leasehold improvements	7,815	7,807
Amortisation expense		
- Franchise fee	11,191	11,537
Total depreciation and amortisation	22,810	24,276
Impairment of receivables:		
- Bad debts expense	178	95
Total impairment of receivables	178	95

7 Income Tax Expense

(a) The major components of tax expense (benefit) comprise:

	2018 $	2017 (Restated) $
Current tax expense (benefit)		
Current tax expense	16,961	9,861
Recoupment of prior year tax losses	(16,961)	(9,861)
Deferred tax expense		
Decrease / (increase) in deferred tax assets	13,580	(5,991)
(Decrease) / increase in deferred tax liabilities	(236)	15,454
Total income tax expense	13,344	9,463

7 Income Tax Expense

(b) Reconciliation of income tax to accounting profit:

	2018 $	2017 (Restated) $
Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2017: 27.5%)	11,367	7,446
Add:		
Tax effect of:		
- non-deductible depreciation and amortisation	3,077	3,173
Less:		
- over provision of prior years	1,100	48
- change in tax rates	-	1,108
Income tax expense	13,344	9,463
Weighted average effective tax rate	32%	35%

8 Cash and Cash Equivalents

	2018 $	2017 (Restated) $
Cash on hand	52	52
Bank balances	117,412	91,333
	117,464	91,385

The company has a bank overdraft facility amounting to $75,000 (2017: $75,000). This may be terminated at any time at the option of the bank. At 30 June 2018, none of this facility was used (2017: Nil). Variable interest rates apply to this overdraft facility.

9 Trade and Other Receivables

	2018 $	2017 (Restated) $
CURRENT		
Trade receivables	61,648	67,582
Provision for impairment	-	-
	61,648	67,582
Deposits	1,800	1,800
Total current trade and other receivables	63,448	69,382

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

Notes to the financial statements (continued)

10 Financial Assets

	2018 $	2017 (Restated) $
CURRENT		
Term deposits	175,000	153,502
	175,000	153,502

11 Other Assets

	2018 $	2017 (Restated) $
CURRENT		
Prepayments	3,627	7,383
	3,627	7,383

12 Property, plant and equipment

	2018 $	2017 (Restated) $
PLANT AND EQUIPMENT		
Furniture, fixtures and fittings		
At cost	15,588	15,588
Accumulated depreciation	(14,386)	(14,185)
Total furniture, fixtures and fittings	1,202	1,403
Office equipment		
At cost	88,004	88,004
Accumulated depreciation	(75,493)	(71,891)
Total office equipment	12,511	16,113
Leasehold Improvements		
At cost	124,970	124,970
Accumulated amortisation	(48,255)	(40,440)
Total leasehold improvements	76,715	84,530
Total property, plant and equipment	90,428	102,046

12 Property, plant and equipment

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Furniture, Fixtures and Fittings $	Office Equipment $	Leasehold Improvements $	Total $
Year ended 30 June 2018				
Balance at the beginning of year	1,403	16,113	84,530	102,046
Depreciation expense	(201)	(3,602)	(7,815)	(11,618)
Balance at the end of the year	1,202	12,511	76,715	90,428

	Furniture, Fixtures and Fittings $	Office Equipment $	Leasehold Improvements $	Total $
Year ended 30 June 2017 (Restated)				
Balance at the beginning of year	1,640	19,140	92,337	113,117
Additions	-	1,669	-	1,669
Depreciation expense	(237)	(4,696)	(7,807)	(12,740)
Balance at the end of the year	1,403	16,113	84,530	102,046

13 Intangible Assets

	2018 $	2017 (Restated) $
Franchise fee		
Cost	112,779	112,779
Accumulated amortisation	(66,067)	(54,876)
Net carrying value	46,712	57,903

(a) Movements in carrying amounts of intangible assets

	Franchise fee $	Total $
Year ended 30 June 2018		
Balance at the beginning of the year	57,903	57,903
Amortisation	(11,191)	(11,191)
Closing value at 30 June 2018	46,712	46,712

	Franchise fee $	Total $
Year ended 30 June 2017 (Restated)		
Balance at the beginning of the year	14,347	14,347
Additions	55,093	55,093
Amortisation	(11,537)	(11,537)
Closing value at 30 June 2017	57,903	57,903

14 Trade and Other Payables

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying amounts are considered to be a reasonable approximation of fair value.

	2018 $	2017 (Restated) $
Current		
Trade payables	5,861	39,395
GST payable	23,768	15,122
Accrued expense	5,000	4,000
Other payable	9,387	6,223
Franchise fee payable	12,826	12,826
	56,842	77,566
Non-Current		
Franchise fee payable	38,479	51,305
	38,479	51,305

15 Employee Benefits

	2018 $	2017 (Restated) $
Current liabilities		
Provision for employee benefits	11,335	7,955
	11,335	7,955
Non-current liabilities		
Provision for long service leave	8,244	4,330
	8,244	4,330

16 Tax assets and liabilities

Current Tax Liability

	2018 $	2017 (Restated) $
Income tax payable	16,961	9,861
Recoupment of prior year tax losses	(16,961)	(9,861)
Current tax liabilities	-	-

Deferred Tax Assets

	Opening Balance $	Charged to Income $	Changes in Tax Rate $	Closing Balance $
Deferred tax assets				
Provisions - employee benefits	1,110	2,307	(39)	3,378
Unused tax losses	28,261	6,901	(992)	34,170
Accruals	2,186	(2,109)	(77)	-
Balance at 30 June 2017 (Restated)	31,557	7,099	(1,108)	37,548
Provisions - employee benefits	3,378	2,006	-	5,384
Unused tax losses	34,170	(16,961)	-	17,209
Accruals	-	1,375	-	1,375
Balance at 30 June 2018	37,548	(13,580)	-	23,968

16 Tax assets and liabilities

Deferred Tax Liabilities

	Opening Balance $	Charged to Income $	Changes in Tax Rate $	Closing Balance $
Deferred tax liability				
Property, plant and equipment	-	13,423	-	13,423
Prepayments	-	2,030	-	2,030
Balance at 30 June 2017(Restated)	-	15,453	-	15,453
Property, plant and equipment	13,423	798	-	14,221
Prepayments	2,030	(1,033)	-	997
Balance at 30 June 2018	15,453	(235)	-	15,218

17 Issued Capital

	2018 $	2017 (Restated) $
584,559 (2017: 584,559) Ordinary shares fully paid	584,559	584,559
Less: Equity raising costs	(58,456)	(58,456)
Total	526,103	526,103

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 key objectives of the Company when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Company defines capital as its equity and net debt.

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 has been no change to capital risk management policies during the year.

18 Earnings per Share

(a) Reconciliation of earnings to profit or loss from continuing operations

	2018 $	2017 (Restated) $
Profit from continuing operations	27,990	17,613
Earnings used to calculate basic EPS from continuing operations	27,990	17,613

(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

	2018 No.	2017 No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	584,559	584,559

19 Dividends paid or provided for on ordinary shares

No dividends were paid or proposed by the company during the year (2017: Nil).

20 Capital and Leasing Commitments

(a) Operating Leases

	2018 $	2017 (Restated) $
Minimum lease payments under non-cancelable operating leases:		
- not later than one year	48,232	38,173
- between one year and five years	203,272	199,091
	251,504	237,264

The branch lease is a non-cancelable lease with a six-year term, with rent payable monthly in advance. An option to renew the lease for a further ten years (five yearx2) is available. The current lease is to renew in another 3 years and the lease commitment above is represents the estimated lease payable amounts for next 3 years.

21 Financial Risk Management

The Company is exposed to a variety of financial risks through its use of financial instruments. The Company's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payables. bank overdraft and loans.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 table below reflects 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.

		2018 $	2017 (Restated) $
Financial assets			
Cash at bank and on hand	8	117,464	91,385
Held-to-maturity financial assets	10	175,000	153,502
Trade receivables	9	61,648	67,582
Total financial assets		354,112	312,469
Financial liabilities			
Trade and other payables		(95,321)	(128,873)
Total financial liabilities		(95,321)	(128,873)
Net financial assets		258,791	183,596

21 Financial Risk Management

Objectives, policies and processes

The Board of Directors have overall responsibility for the establishment of Beaumaris Community Financial Services Limited's financial risk management framework. This includes the development of policies covering specific areas such as liquidity risk, credit risk and interest rate risk.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Beaumaris Community Financial Services Limited's activities.

The day-to-day risk management is carried out by Beaumaris Community Financial Services Limited's finance function under policies and objectives which have been approved by the Board of Directors.

Mitigation strategies for specific risks faced are described below:

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

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.

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. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

The Company's liabilities have contractual maturities which are summarised below:

	Within 1 year		1 to 5 years		1 to 5 years		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	$	$	$	$	$	$	$	$
Trade and other payable	56,842	77,566	38,479	51,305	-	-	95,321	128,871
Total	56,842	77,566	38,479	51,305	-	-	95,321	128,871

The table/s below reflect maturity analysis for financial assets.

	Weighted Average Effective Interest Rate		Within 1 Year		1 to 5 Years		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	%	%	$	$	$	$	$	$
Financial assets - cash flows realisable								
Cash and cash equivalents	-	-	117,464	91,385	-	-	117,464	91,385
Trade and other receivables	-	-	61,648	67,582	-	-	61,648	67,582
Held-to-maturity investments	2.35	2.65	175,000	153,501	-	-	175,000	153,501
Total anticipated inflows			354,112	312,468	-	-	354,112	312,468

21 Financial Risk Management

Interest Rate Risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Fixed interest		Non-interest Bearing		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	%	%	$	$	$	$	$	$
Financial Assets:								
Cash and cash equivalents	-	-	-	-	117,464	91,385	117,464	91,385
Trade and other receivables	-	-	-	-	61,648	67,582	61,648	67,582
Term deposits	2.35	2.65	175,000	153,501	-	-	175,000	153,501
Total Financial Assets			175,000	153,501	179,112	158,967	354,112	312,468
Financial Liabilities:								
Trade and other payables	-	-	-	-	95,321	128,871	95,321	128,871
Total Financial Liabilities	-	-	-	-	95,321	128,871	95,321	128,871

Price risk

The company is not exposed to any material price risk.

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 din 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.

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 cash and cash equivalents.

21 Financial Risk Management

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.

	2018 $	2017(Restated) $
Change in profit/(loss)		
Increase in interest rate by 1% (interest income)	2,925	2,449
Decrease in interest rate by 1% (interest income)	(2,925)	(2,449)
Change in equity		
Increase in interest rate by 1% (interest income)	2,925	2,449
Decrease in interest rate by 1% (interest income)	(2,925)	(2,449)

Fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The Company does not have any unrecognised financial instruments at the year end.

22 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 remuneration was paid to key management personnel of the company during the year as the positions are held on a voluntary basis.

(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. As noted previously, 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:

	2018 $	2017(Restated) $
Janina Puttick (Bookkeeper & Director)		
Bookkeeping services	11,616	10,560

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

22 Key management personnel and related party disclosures

(d) Key management personnel shareholdings

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

	2018 $	2017(Restated) $
Directors		
Chris Shaw	5,000	5,000
Irena Peoples	-	-
Peter Demura	-	-
Janina Puttick	-	-
Anjana Bhatt	-	-
Darren Trew	1,000	N/A *
Craig Tucker	-	-
Lili James	-	-
David Stewart	-	-
Terry Michael	-	-
Betty Kotevski	-	-
Paul Widdis	-	-
	6,000	5,000

* Darren Trew was not Key management personnel during the 2016/17 financial year.

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

(e) Other key management transactions

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

23 Auditors' Remuneration

	2018 $	2017(Restated) $
Remuneration of the auditor of the entity for:		
- auditing or reviewing of financial report	4,862	4,400
- preparation of general purpose financial report	1,300	1,000
Total	6,162	5,400

24 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2018 (30 June 2017:None).

Notes to the financial statements (continued)

25 Cash Flow Information

Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2018	2017(Restated)
	$	$
Profit for the year	27,990	17,613
Non-cash flows in profit:		
- amortisation	11,191	11,537
- depreciation	11,619	12,739
- bad debts	-	95
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	5,934	(21,420)
- (increase)/decrease in prepayments	3,756	(3,649)
- (increase)/decrease in deferred tax asset	13,344	9,463
- increase/(decrease) in trade and other payables	(33,551)	8,928
- increase/(decrease) in provisions	7,295	8,392
Cashflows from operations	47,578	43,698

26 Segment Reporting

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

27 Events Occurring After the Reporting Date

The financial report was authorised for issue on 26 September 2018 by the board of directors.

No matters or circumstances have arisen since the end of the financial year which significantly affected 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.

28 Statutory Information

The registered office of the company is:

Beaumaris Community Financial Services Limited
13 North Concourse
Beaumaris VIC 3193

The principal place of business is:

32 East Concourse
Beaumaris VIC 3193

Directors’ Declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2018 are in accordance with the *Corporations Act 2001* and:
   a. comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
   b. give a true and fair view of the financial position and performance of the Company;
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Deputy Chair..

Irena Peoples

Dated 26 September 2018

Independent audit report

ASHFORDS AUDIT AND ASSURANCE

Ashfords Audit & Assurance Pty Ltd
ABN 52 138 965 241
Suite 5, 14 Garden Blvd, Dingley VIC 3172
PO Box 1462, Clayton South VIC 3169
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Beaumaris Community Financial Services Limited

Independent Audit Report to the members of Beaumaris Community Financial Services Limited

Report on the Audit of the Financial Report

Opinion

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

In our opinion, the accompanying financial report of the Company 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 financial performance for the year ended;

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

(iii) The financial report also complies with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

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.

Other Information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is included in Annual Report, (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.

In 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of 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 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.

Auditor's Responsibilities for the Audit of the Financial Report

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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

- 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 our audit.

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.

Independent audit report (continued)

Ashfords Audit and Assurance

Ashfords Audit and Assurance Pty Ltd
Chartered Accountants

Ryan H. Dummett
Director

Suite 5,14 Garden Boulevard, Dingley VIC 3172
26 September 2018

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(DATE: 10/18)