



Annual Report 2017

Break O'Day Community
Financial Services Limited

ABN 63 614 142 853

St Helens **Community Bank**[®] Branch

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Chair's report

For year ending 30 June 2017

Dear Shareholders,

It is with great pleasure that I present to you the first Chair's Report for Break O'Day Community Financial Services Limited.

In reading this report I bring it to your attention that the date of writing is 23 November 2017. This is particularly relevant as the company is in a state of high activity as it readies itself for the opening of the St Helens Branch of the St Helens/St Marys **Community Bank**[®] Company in February 2018.

At the time of writing our Branch Manager, Mrs Sheree Archer, has been appointed to the role but is yet to commence duties. We have sought applications for the other three staff positions and will work to fill these over the next four weeks. We are in the process of liaising with the lowest tenderer for the branch fit-out works and expect to appoint the contractor within the next week. Your Board members are busy making plans for the St Helens **Community Bank**[®] Branch opening and for the first Annual General Meeting of the company in February.

Members of the St Helens/St Marys **Community Bank**[®] Company Steering Committee have worked with great diligence and perseverance over many years to get us to this point. I would personally like to thank all members of the Steering Committee for their hard work and dedication. I would particularly like to pass on my thanks to those members who have stepped up to become Board Members of Break O'Day Community Financial Services Limited. As those members have discovered this is an onerous role with a high level of responsibility and it carries great community expectation.

At the time of launch of our Prospectus on 22 December 2016 we set a minimum subscription of 650,000 shares and a maximum subscription of 900,000 shares. We did not manage to achieve the minimum subscription by the due date and consequently issued a Supplementary Prospectus on 21 April 2017. The extended share sales period finally closed on 31 October 2017 with 760,851 shares being sold.

At the time of writing this report the company share certificates are being printed and it is anticipated that all share certificates will be issued prior to Christmas.

We look forward to our Branch Opening in St Helens in February 2018 as this will provide us with a forum to distribute our first round of grants to the community. We have received a high level of support from numerous community organisations and we relish the opportunity to reciprocate that support.

I would like to take this opportunity to pass on our thanks to all of the Bendigo and Adelaide Bank staff who have assisted us over the years. They are too numerous to name but they know who they are and they have our deepest gratitude. We have also received great support from Board Members and staff of various **Community Bank**[®] branches in Tasmania and this support has clearly demonstrated that the **Community Bank**[®] concept is alive and well and that we are all one large family working to support each other. "Be the Change!"



Andrew MacGregor
Chair

Directors' report

For the financial year ended 30 June 2017

Your directors submit the financial statements of the company for the financial year ended 30 June 2017.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

Andrew Donald MacGregor

Chair (Appointed 9 August 2016)

Occupation: Project Facilitator

Qualifications, experience and expertise: Experienced throughout Tasmania as a Registered Land Surveyor, Certified Practising Planner, Property Development Consultant and Project Facilitator. Andrew has served as local Councillor and Warden as well as Director of several private companies. As a Life Member of St Helens and Districts Chamber of Commerce, past Chair of the Business Enterprise Centre and current Chair of Medea Park Association. Andrew is passionate about developing economic opportunity for all in our community and views the **Community Bank**[®] branch as a key part of this process.

Special responsibilities: HR Committee, Premises Committee, Audit Committee

Interest in shares: 2

David Edward Llewellyn

Vice Chair (Appointed 9 August 2016)

Occupation: Member of Parliament

Qualifications, experience and expertise: David is the Owner/Manager of Priory Ridge Wines, a successful business at St Helens. As a politician, he served more than 14 years as a Cabinet Minister in previous Tasmanian Governments and for some time held the position of Deputy Premier. David is a member of the Diocesan Board of Trustees for the Anglican Church in Tasmania and was a former chair of Anglicare Tasmania. David has a 26 year background in electronic engineering as a senior Technical Officer and Operations Manager. In 2012 he was made a Member of the Order of Australia.

Special responsibilities: Premises Committee

Interest in shares: 1

Roger William Harrison Harlow

Treasurer (Appointed 9 August 2016)

Occupation: Retired Teacher and Scientist

Qualifications, experience and expertise: Roger trained as a medical research scientist in Adelaide and Hobart, moving to St Helens to teach mathematics and science. He has served as Municipal Treasurer, Chair and Treasurer of Healthy House as well as Director of Medea Park Assoc. and Orienteering Tasmania. Secretary of a local company for 31 years. Roger has a strong commitment to Break O'Day and its future. He sees the **Community Bank**[®] branch as a key factor in growing community confidence and prosperity.

Special responsibilities: Treasurer, Audit Committee, HR Committee, Marketing and Finance Committee

Interest in shares: 1

Directors' report (continued)

Directors (continued)

Christopher Frederick Triebe

Secretary (Appointed 9 August 2016)

Occupation: Local Government – Municipal Town Planner

Qualifications, experience and expertise: After a career in the RAAF, Chris managed a sailing holiday business in Greece and on return to Australia, gained a Bachelor of Business (Hons) at Australian Maritime College, specialising in Customer Relationship Management in Australian Seaports. At Break O'Day Council he completed a Grad.Dip. in Urban and Environmental Planning. Over the past 10 years, Chis has been the local Officer in Charge of the Australian Electoral Commission, a member of RSLA and the RAAF Association. A previous volunteer of the St Helens Fire Brigade, Chris is also a keen member of the St Helens Golf Club and previous Secretary. His energy and enthusiasm for the **Community Bank**[®] model will be a valued asset on the Board.

Special responsibilities: Secretary, Marketing and Finance Committee

Interest in shares: 1

Sandra Maree Lohrey

Director (Appointed 9 August 2016)

Occupation: Retail Assistant

Qualifications, experience and expertise: Sandra was born and raised in St Helens and is now employed here in the retail sector. She has experience as a small business operator in her role as a Nutrimerics sales consultant. As Team Captain and participant in the Cancer Council's Relay for Life. Sandra is a capable organiser. She has coordinated the work of the Steering Committee as Secretary and her extensive local connections and relationships will be strong assets in the Board's community development for the Bank.

Special responsibilities: Launch Committee

Interest in shares: 1

Timothy James Harrison

Director (Appointed 9 August 2016)

Occupation: Retail Assistant

Qualifications, experience and expertise: Broad, long-term experience in local retail business as both owner and employee, across hospitality, real estate, hardware and local banking, gives Tim a strong understanding of the community financial needs of Break O'Day. His customer relations and sales skills will be valued assets in the Board's task of building business for the **Community Bank**[®] branch.

Special responsibilities: Collaborative Marketing Committee

Interest in shares: 1

Annette Elizabeth Maney

Director (Appointed 9 August 2016)

Occupation: Retail Assistant

Qualifications, experience and expertise: Annette's deep understanding of the banking sector came through roles in retail banking for two different major banks, customer service and branch administration, staff supervision and training, as well as regional management. She has developed product promotion and sales skills developed through her successful retail business, featuring international mail order. Annette brings good communication and negotiation skills to the Board and sees the **Community Bank**[®] branch as a great vehicle to both serve and develop the community.

Special responsibilities: HR Committee, Marketing and Finance Committee, Launch Committee

Interest in shares: 1

Directors' report (continued)

Directors (continued)

Geoffrey Roy Probert

Director (Appointed 9 August 2016)

Occupation: Financial Consultant

Qualifications, experience and expertise: Geoffrey's BSc and MBA from Melbourne University led to a wide range of roles as business builder and marketing consultant and to extensive experience in the financial planning industry. In Directorships on both publicly listed and private company Boards, his industry range spans Financial Planning, Resources, Building Materials and Food Processing. Geoffrey has also been involved in capital raising and listing of Companies on the ASX. He now has a strong interest in the development of local community resilience through TransBOD and the **Community Bank**[®] branch.

Special responsibilities: Nil

Interest in shares: 1

Stephen John Walley

Director (Appointed 9 August 2016)

Occupation: Educational Consultant

Qualifications, experience and expertise: A distinguished teaching career saw Stephen achieve Principalship of St Helens, St Marys and Prospect High Schools. He currently offers Educational Leadership and Coaching as a private consultant. Stephen continues to support young people and his community commitment shines in his Life Membership of St Helens Football Club and continuing involvement in a range of other community committees. Building community connections is a key success factor for the **Community Bank**[®] branch and the Board values Stephen's extensive skills in this area.

Special responsibilities: HR Committee, Marketing and Finance Committee

Interest in shares: 1

Teresa Ann Vinen

Director (Appointed 9 August 2016, Resigned 26 September 2016)

Interest in shares: Nil

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

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

Company Secretary

The company secretary is Christopher Triebe. Chris was appointed to the position of secretary on 9 August 2016.

Qualifications, experience and expertise: After a career in the RAAF, Chris managed a sailing holiday business in Greece and on return to Australia, gained a Bachelor of Business (Hons) at Australian Maritime College, specialising in Customer Relationship Management in Australian Seaports. At Break O' Day Council he completed a Grad.Dip. in Urban and Environmental Planning. Over the past 10 years, Chris has been the local Officer in Charge of the Australian Electoral Commission, a member of RSLA and the RAAF Association. A previous volunteer of the St Helens Fire Brigade, Chris is also a keen member of the St Helens Golf Club and previous Secretary. His energy and enthusiasm for the **Community Bank**[®] model will be a valued asset on the Board.

Principal Activities

The principal activities of the company during the financial period were establishing a **Community Bank**[®] branch to provide services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

A Prospectus dated 22 December 2016 was lodged with the Australian Securities and Investments Commission (ASIC). The Company is offering for subscription 650,000 Ordinary shares at an issue price of \$1.00 per Ordinary share, payable in full on application. The offer opens on the 25 January 2017 and closed 26 April 2017. A supplementary Prospectus was lodged with ASIC extending the offer from 26 April 2017 until 23 August 2017.

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

Directors' report (continued)

Operating results

The loss of the company for the financial year after provision for income tax was:

Year ended 30 June 2017 \$
(3,376)

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Events since the end of the financial year

At the closing of the prospectus on the 22 August 2017 the company had raised 706,467 Ordinary Shares raised at an issue price of \$1.00 per Ordinary share and issued effective as of the 23 August 2017.

There are no other matters or circumstances that have arisen since the end of the financial year that have 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 years.

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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.

Indemnification and insurance of directors and officers

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.

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.

Directors' report (continued)

Directors' meetings

The number of directors' meetings attended by each of the directors of the company during the year were:

	Directors' Meetings	
	Eligible	Attended
Andrew Donald MacGregor (Appointed 9 August 2016)	20	18
David Edward Llewellyn (Appointed 9 August 2016)	20	13
Roger William Harrison Harlow (Appointed 9 August 2016)	20	20
Christopher Frederick Triebe (Appointed 9 August 2016)	20	20
Sandra Maree Lohrey (Appointed 9 August 2016)	20	14
Timothy James Harrison (Appointed 9 August 2016)	20	18
Annette Elizabeth Maney (Appointed 9 August 2016)	20	20
Geoffrey Roy Probert (Appointed 9 August 2016)	20	13
Stephen John Walley (Appointed 9 August 2016)	20	14
Teresa Ann Vinen (Appointed 9 August 2016, Resigned 26 September 2016)	3	3

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

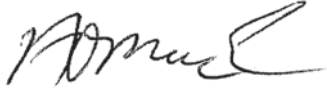
- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Directors' report (continued)

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed in accordance with a resolution of the board of directors at St Helens, Tasmania on 27 September 2017.



**Andrew Donald MacGregor,
Chairman**

Auditor's independence declaration



Partners in success

Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Break O'Day Community Financial Services Ltd

As lead auditor for the audit of Break O'Day Community Financial Services Ltd for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of 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.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 27 September 2017

A handwritten signature in black ink, appearing to read 'David Hutchings'.

David Hutchings
Lead Auditor

Financial statements

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

	Notes	2017 \$
Revenue from ordinary activities	3	1,600
Finance costs	4	(68)
General administration expenses		(6,189)
Loss before income tax credit		(4,657)
Income tax credit	5	1,281
Loss after income tax credit		(3,376)
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		(3,376)
Earnings per share	¢	¢
Basic earnings per share	17	(37,511)

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2017

	Notes	2017 \$
ASSETS		
Current Assets		
Cash and cash equivalents	6	536,268
Trade and other receivables	7	4,617
Total Current Assets		540,885
Non-Current Assets		
Deferred tax asset	8	1,281
Total Non-Current Assets		1,281
Total Assets		542,166
LIABILITIES		
Current Liabilities		
Trade and other payables	9	554,053
Borrowings	10	9,574
Total Current Liabilities		563,627
Net Liabilities		(21,461)
Equity		
Issued capital	11	(18,085)
Retained earnings	12	(3,376)
Total Equity		(21,461)

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2016	-	-	-
Total comprehensive income for the year	-	(3,376)	(3,376)
Transactions with owners in their capacity as owners:			
Shares issued during period	10	-	10
Costs of issuing shares	(18,095)	-	(18,095)
Dividends provided for or paid	-	-	-
Balance at 30 June 2017	(18,085)	(3,376)	(21,461)

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 \$
Cash flows from operating activities		
Receipts from customers		1,851
Payments to suppliers and employees		(6,352)
Interest paid		(68)
Net cash used in operating activities	17	(4,569)
Cash flows from financing activities		
Proceeds from shares issued		10
Proceeds from share applications		536,258
Costs of issuing shares		(5,005)
Proceeds from borrowings		7,325
Net cash provided by financing activities		538,588
Net increase in cash held		534,019
Cash and cash equivalents at the beginning of the financial year		-
Cash and cash equivalents at the end of the financial year	6(a)	534,019

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2017

Note 1. Summary of significant accounting policies

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed. No estimates used.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

Where required by Australian Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year. No comparative figures.

Application of new and amended accounting standards

There are a number of amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2016, and are therefore relevant for the current financial year.

None of these amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

There are also a number of accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2016. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

Only AASB 16 Leases, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. This revised standard will require the branch lease to be capitalised.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**[®] branch at St Helens, Tasmania.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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**[®] branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

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 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
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

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).

c) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

d) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

e) Trade receivables and payables

Receivables are carried at their amounts due. The collectability 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.

f) Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

g) Borrowings

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

h) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and subsequent measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

i) Contributed equity

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

j) Earnings per share

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

k) Goods and Services Tax

Revenues, 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 taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Notes to the financial statements (continued)

Note 2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

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.

2017
\$

Note 3. Revenue from ordinary activities

Non-operating activities:

- other revenue	1,600
Total revenue from non-operating activities	1,600
Total revenues from ordinary activities	1,600

Note 4. Expenses

Finance costs:

- interest paid	68
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Notes to the financial statements (continued)

2017
\$

Note 5. Income tax expense

The components of tax expense comprise:

- Future income tax benefit attributable to losses	(1,281)
	(1,281)

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows

Operating loss	(4,657)
Prima facie tax on loss from ordinary activities at 27.5%	(1,281)

Note 6. Cash and cash equivalents

Cash at bank and on hand	536,268
	536,268

Note 6.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Bank overdrafts	(2,249)
Cash at bank and on hand	536,268
	534,019

Note 7. Trade and other receivables

Prepayments	3,734
Other receivables and accruals	883
	4,617

Note 8. Tax

Deferred tax assets

- tax losses carried forward	1,281
	1,281
Net deferred tax asset	1,281

Note 9. Trade and other payables

Trade creditors	7,319
Other creditors and accruals	10,476
Share applications monies held in trust	536,258
	554,053

Notes to the financial statements (continued)

	Note	2017 \$
Note 10. Borrowings		
Bank overdrafts		2,249
Unsecured loans	15	7,325
		9,574

The bank overdraft has an approved limit of \$10,000. The bank overdraft is secured by a fixed and floating charge over the company's assets.

Note 11. Contributed equity

10 ordinary shares fully paid		10
Less: equity raising expenses		(18,095)
		(18,085)

Rights attached to shares

(a) Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank**[®] branch have the same ability to influence the operation of the company.

(b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act 2001.

Notes to the financial statements (continued)

Note 11. Contributed equity (continued)

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the “10% limit”).
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the “close connection test”).
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the “base number test”). The base number is 90 percent of the number of shareholders immediately after the prospectus closes.

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member’s associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

2017
\$

Note 12. Retained earnings

Balance at the beginning of the financial year	-
Net loss from ordinary activities after income tax	(3,376)
Balance at the end of the financial year	(3,376)

Note 13. Statement of cash flows

Reconciliation of loss from ordinary activities after tax to net cash provided by operating activities

Loss from ordinary activities after income tax	(3,376)
Changes in assets and liabilities:	
- (increase)/decrease in receivables	(4,617)
- (increase)/decrease in other assets	(1,281)
- increase/(decrease) in payables	4,705
Net cash flows provided by operating activities	(4,569)

Notes to the financial statements (continued)

2017
\$

Note 14. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:

- non audit services	2,614
	2,614

Note 15. Director and related party disclosures

The names of directors who have held office during the financial year are:

Andrew Donald MacGregor (Appointed 9 August 2016)
David Edward Llewellyn (Appointed 9 August 2016)
Roger William Harrison Harlow (Appointed 9 August 2016)
Christopher Frederick Triebe (Appointed 9 August 2016)
Sandra Maree Lohrey (Appointed 9 August 2016)
Timothy James Harrison (Appointed 9 August 2016)
Annette Elizabeth Maney (Appointed 9 August 2016)
Geoffrey Roy Probert (Appointed 9 August 2016)
Stephen John Walley (Appointed 9 August 2016)
Teresa Ann Vinen (Appointed 9 August 2016, Resigned 26 September 2016)

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

2017
\$

Loans from directors:

Andrew Donald MacGregor (Appointed 9 August 2016)	2,548
David Edward Llewellyn (Appointed 9 August 2016)	400
Roger William Harrison Harlow (Appointed 9 August 2016)	275
Christopher Frederick Triebe (Appointed 9 August 2016)	500
Sandra Maree Lohrey (Appointed 9 August 2016)	500
Timothy James Harrison (Appointed 9 August 2016)	200
Annette Elizabeth Maney (Appointed 9 August 2016)	702
Geoffrey Roy Probert (Appointed 9 August 2016)	-
Stephen John Walley (Appointed 9 August 2016)	1,000
Total director loans	6,125
Non-director loans	
Kevin Richards	1,000
Len Miles	200
Total non-director loans	1,200
Total unsecured loans	7,325

Unsecured loans represent monies provided by the steering committee and other supporters of the **Community Bank®** project. These loans funded the pledge and feasibility stages of the campaign to open the branch.

Notes to the financial statements (continued)

Note 15. Director and related party disclosures (continued)

Directors' Shareholdings	2017
Andrew Donald MacGregor (Appointed 9 August 2016)	2
David Edward Llewellyn (Appointed 9 August 2016)	1
Roger William Harrison Harlow (Appointed 9 August 2016)	1
Christopher Frederick Triebe (Appointed 9 August 2016)	1
Sandra Maree Lohrey (Appointed 9 August 2016)	1
Timothy James Harrison (Appointed 9 August 2016)	1
Annette Elizabeth Maney (Appointed 9 August 2016)	1
Geoffrey Roy Probert (Appointed 9 August 2016)	1
Stephen John Walley (Appointed 9 August 2016)	1
Teresa Ann Vinen (Appointed 9 August 2016, Resigned 26 September 2016)	-

Note 16. Key management personnel disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

2017
\$

Note 17. Earnings per share

(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(3,376)
--	---------

Number

(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	9
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Note 18. Events occurring after the reporting date

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

Note 19. Contingent liabilities and contingent assets

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

Note 20. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**[®] services in St Helens, Tasmania pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Notes to the financial statements (continued)

Note 21. Registered office/Principal place of business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office

48 Cecilia Street
St Helens, 7216, TAS

Principal Place of Business

48 Cecilia Street
St Helens. 7216, TAS

Note 22. Financial instruments

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 %	2016 %
Financial assets												
Cash and cash equivalents	536,268	-	-	-	-	-	-	-	-	-	N/A	N/A
Financial liabilities												
Interest bearing liabilities	2,249	-	-	-	-	-	-	-	7,325	-	N/A	N/A
Payables	-	-	-	-	-	-	-	-	7,319	-	N/A	N/A

Net 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.

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

Notes to the financial statements (continued)

Note 22. Financial instruments (continued)

As at 30 June 2017, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2017
	\$
Change in profit/(loss)	
Increase in interest rate by 1%	5,340
Decrease in interest rate by 1%	5,340
Change in equity	
Increase in interest rate by 1%	5,340
Decrease in interest rate by 1%	5,340

Directors' declaration

In accordance with a resolution of the directors of Break O'Day Community Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



Andrew Donald MacGregor,
Chairman

Signed on the 27th of September 2017.

Independent audit report



Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

Independent auditor's report to the members of Break O'Day Community Financial Services Ltd

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Break O'Day Community Financial Services Ltd is in accordance with the *Corporations Act 2001*, including:

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

What we have audited

Break O'Day Community Financial Services Ltd's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Balance sheet
- ✓ Statement of changes in equity
- ✓ Statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the entity.

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.

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

Independent audit report (continued)

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available 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 we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report so that it 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 is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibility 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 27 September 2017



David Hutchings
Lead Auditor

St Helens **Community Bank**[®] Branch
41 Cecilia Street, St Helens TAS 7216
Phone: (03) 6376 1175

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