Annual Report 2017

Broadwater Financial Services Limited

ABN 29 095 850 463

Biggera Waters **Community Bank**® Branch
Helensvale **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2017

The financial year ended 30 June 2017 for Broadwater Financial Services Limited has continued to be challenging and disappointing with overall footings decreasing by $10 million finishing the year on $111.5 million. This has resulted in our income only increasing by $19,714 and with expenses increasing by $72,171, including employee costs of $69,283, the net loss for the year after income tax credit is $55,788. The Balance Sheet for the company at 30 June 2017 shows a Net Liabilities position of $49,754 and as referred to in Note 1 on page 15 of the Annual Report, the Directors adopt a going concern approach to the Financial Statements and continue to receive an undertaking of support from Bendigo and Adelaide Bank.

The staffing of our branches during the year saw significant change with the Managers of both branches leaving our employ to pursue interests outside of banking. Your Board of Directors took a proactive approach to these changes, in consultation with Bendigo and Adelaide Bank Senior Management and made the decision not employ new Managers but instead elevate Megan Shields to Customer Relationship Manager (CRM) at Biggera Waters and we employed Melanie Jackson from Echuca in Victoria as CRM at Helensvale. Both these Managers have excelled in their positions since their appointment and are leading a very committed team of people who we again thank for their ongoing dedication and support.

In addition to the above changes the Board have employed a Mobile Relationship Manager (MRM), Mr Peter Kai-Nielsen, who is tasked with building the relationships with our community partners and generating business development networks on the Gold Coast. Peter has worked on the Gold Coast for the past seven years in the Bendigo Bank system and brings a wealth of experience and contacts to our company. We are confident that he will also lead our teams in both branches to achieve a consolidated financial success.

The company continues to support our local community groups with sponsorship funds and we are fortunate that Bendigo and Adelaide Bank provide a Market Development Fund, which assists with our contributions and the support of these community partners and also funds our advertising and marketing, both locally and in the Gold Coast region. During the latter part of the year we have established Referral Agreements with our community partners which give them the opportunity to generate more funds by encouraging their members to bank with us. We expect that this will generate additional business for our company in time.

During the year the company renewed the Franchise Agreements for both **Community Bank**® branches for a further five years and we have also agreed to terms for a further five-year lease on the Biggera Waters **Community Bank**® Branch at Metro Mart Shopping Centre. As part of this lease renewal the Landlord agreed to erect new signage above the branch which is illuminated at night. We have also updated the advertising and signage around the ATMs at both branches which has freshened the look at both sites.

Since the last Annual Report our Board has been reduced by one and we now have only five Directors. Kerry Brammer resigned from the Board last December for personal reasons and we wish her every success in the future. The Board are continually looking for suitable people to serve on the Board and we currently have a number of people who are interested in joining us. Our volunteer Directors spend many personal hours attending Board meetings, committee meetings, Director workshops, business development events, conferences and providing community partner support. I would like to take the opportunity to acknowledge this dedication and work and I thank them for their continual support. The Board again thanks our personal assistant, Mrs Maris Dirkx, for her outstanding efforts in secretarial support, marketing strategies, assistance in organising company events and liaison with our community partners.

Chairman's report (continued)

Finally, as a Board, we wish to thank all our customers, community organisations and local business owners for their support during the year. In addition we would also like to acknowledge the support and assistance from Senior Management of Bendigo and Adelaide Bank during the year. It is their commitment and ours to grow the business to achieve consistent profits and returns to our patient shareholders. In closing, I again thank all shareholders for their continued support and look forward to a more positive future for the company.

Robert Knight
Chairman

Managers' report

For year ending 30 June 2017

The 2016/17 financial year saw staff structure changes to both the Biggera Waters and Helensvale **Community Bank**® branches which included our appointment as a Customer Relationship Manager at each branch after the departure of Managers Mark Vigus and Aaron Kidney. The newly appointed roles continue to ensure that the customers of Biggera Waters and Helensvale **Community Bank**® branches are provided with the high level of personal service they are accustomed to, as well as managing the branch and staff.

The results for both branches were mixed and not as pleasing as we anticipated. Although lending settlements exceeded target with $11.63 million in settlements against a budget of $9 million, there were discharges and pay down of debt which resulted in a net effect of $3.473 million in lending growth. Discharges also affected deposit growth as customers utilised deposits to pay down existing debt.

Although the financial year did not meet budget, there were extenuating circumstances which contributed to this result. Helensvale **Community Bank**® Branch was without a Manager for nearly three months whilst undergoing a staff restructure and the car park at the Helensvale Plaza shopping centre underwent a major car park development with the installation of shade. This resulted in a considerable decrease to foot traffic at the shopping centre and subsequently in the branch due to the difficulties in obtaining a car park. The work has now been completed and shoppers are slowly returning to the centre.

We have continued to contribute to the community with sponsorships in our local area including local sporting clubs such as Labrador AFL Club, Labrador Hockey, Runaway Bay Netball Club, Discovery Park Tennis Club and Helensvale/ Pacific Pines Cricket Club. Our support has contributed to the clubs' success and also provides another source of business development opportunities for both branches.

As we move into the new financial year, we welcome a new look Bendigo Bank advertising campaign which we believe best describes the unique **Community Bank**® model. The poignant ads which have aired on various social media mediums have been very popular and touching. 'Be the Change' was filmed live in branches and with actual customers, staff members and community representatives. The ad highlights how community organisations have benefited from customers who decided to 'Be the Change' in the community by simply doing their banking. If you haven't already seen the ad, you can find it on our Facebook page or other social media platforms.

In this increasingly difficult financial climate with low margin lending and increased competition, we continue to pride ourselves on the personal customer service we provide as well as the full range of products and services to meet all of our customers banking needs. We invite you to consider our branches for any of your banking needs and help us to be a contributor to the community. You too can 'Be the Change'.

With the appointment of a Mobile Relationship Manager and steady staffing structures as well as business development opportunities with our community partners, we look forward to a positive 2017/18 financial year.

We would like to take the opportunity to thank the staff, our shareholders, customers and Board of Directors for their continued support and we look forward to meeting you in the future.

Megan Shields
Customer Relationship Manager – Biggera Waters

Melanie Jackson
Customer Relationship Manager - Helensvale

Bendigo and Adelaide Bank report

For year ending 30 June 2017

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

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

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

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

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

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

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

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

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

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

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

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

Robert Musgrove
Executive Engagement Innovation

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:

Robert John Knight
Chairman
Occupation: Business Consultant
Qualifications, experience and expertise: Bachelor of Commerce, former Chartered Accountant, Financial Controller and Public Company Secretary.
Special responsibilities: Executive Management Committee
Interest in shares: 667

Trevor Newton Jones
Deputy Chairman
Occupation: Licensed Real Estate Agent
Qualifications, experience and expertise: Former Real Estate Sales Manager, Finance Broker and Business Owner.
Special responsibilities: Executive Management Committee, Community Engagement Committee
Interest in shares: Nil

Leeanne Kay Braund
Secretary
Occupation: Practice Manager at Pindara Hospital
Qualifications, experience and expertise: Former Consultant to Queensland Health and former Mortgage Broker. Currently Secretary of the Discovery Park Tennis Club in Helensvale.
Special responsibilities: Executive Management Committee
Interest in shares: Nil

Stephen Michael O'Donoghue
Director
Occupation: Pharmacist
Qualifications, experience and expertise: Local Pharmacist.
Special responsibilities: Nil
Interest in shares: 42,667

Michael Douglas McCarthy
Director
Occupation: Sales Consultant
Qualifications, experience and expertise: Former Insurance Manager for Woolworths NSW for 19 years and Real Estate Sales Consultant.
Special responsibilities: Nil
Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Kerry Jane Brammer

Director (Resigned 14 December 2016)

Occupation: Accountant

Qualifications, experience and expertise: Bachelor of Commerce, former General Manager of SME, current Financial Controller.

Special responsibilities: Nil

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 Leeanne Braund. Leeanne was appointed to the position of secretary on 26 April 2013.

Leeanne holds a Certificate IV in Finance and Mortgages. She has held numerous executive roles for Touch Football Committees and currently the Secretary of the Discovery Park Tennis Club in Helensvale. Leeanne is employed as a Medical Practice Manager.

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank**® services under management rights to operate franchised branches of Bendigo and Adelaide Bank Limited.

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

Operating results

Operations have continued to perform in line with expectations. The loss of the company for the financial year after provision for income tax was:

Year ended 30 June 2017 $	Year ended 30 June 2016 $
(55,788)	(21,945)

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

There are no 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' meetings

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

	Directors' Meetings	
	Eligible	**Attended**
Robert John Knight	11	10
Trevor Newton Jones	11	10
Leeanne Kay Braund	11	11
Stephen Michael O'Donoghue	11	5
Michael Douglas McCarthy	11	10
Kerry Jane Brammer (Resigned 14 December 2016)	5	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.

Non audit services (continued)

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.

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 10.

Signed in accordance with a resolution of the board of directors at Biggera Waters, Queensland on 26 September 2017.

Robert John Knight,
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 Broadwater Financial Services Limited

As lead auditor for the audit of Broadwater Financial Services Limited 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.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated:26 September 2017

David Hutchings
Lead Auditor

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Financial statements

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

	Notes	2017 $	2016 $
Revenue from ordinary activities	4	965,228	945,514
Employee benefits expense		(622,683)	(553,400)
Charitable donations, sponsorship, advertising and promotion		(39,011)	(52,840)
Occupancy and associated costs		(140,493)	(136,074)
Systems costs		(35,600)	(38,280)
Depreciation and amortisation expense	5	(40,261)	(33,157)
Finance costs	5	(20,501)	(21,684)
General administration expenses		(143,599)	(134,542)
Loss before income tax credit		**(76,920)**	**(24,463)**
Income tax credit	6	21,132	2,518
Loss after income tax credit		**(55,788)**	**(21,945)**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**(55,788)**	**(21,945)**
Earnings per share		**¢**	**¢**
Basic earnings per share	23	(9.42)	(3.71)

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2017

	Notes	2017 $	2016 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	15,417	12,417
Trade and other receivables	8	49,262	46,096
Total Current Assets		**64,679**	**58,513**
Non-Current Assets			
Property, plant and equipment	9	229,826	227,751
Intangible assets	10	106,698	7,339
Deferred tax asset	11	137,608	116,476
Total Non-Current Assets		**474,132**	**351,566**
Total Assets		**538,811**	**410,079**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	184,969	26,933
Borrowings	13	197,087	190,360
Provisions	14	11,811	4,887
Total Current Liabilities		**393,867**	**222,180**
Non-Current Liabilities			
Borrowings	13	185,060	175,354
Provisions	14	9,638	6,511
Total Non-Current Liabilities		**194,698**	**181,865**
Total Liabilities		**588,565**	**404,045**
Net Assets/(Net Liabilities)		**(49,754)**	**6,034**
Equity			
Issued capital	15	406,858	406,858
Accumulated losses	16	(456,612)	(400,824)
Total Equity		**(49,754)**	**6,034**

The accompanying notes form part of these financial statements.

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

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2015	**406,858**	**(378,879)**	**27,979**
Total comprehensive income for the year	-	(21,945)	(21,945)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2016	**406,858**	**(400,824)**	**6,034**
Balance at 1 July 2016	**406,858**	**(400,824)**	**6,034**
Total comprehensive income for the year	-	(55,788)	(55,788)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2017	**406,858**	**(456,612)**	**(49,754)**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2017

	Notes	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		1,057,969	1,037,123
Payments to suppliers and employees		(1,028,780)	(1,007,230)
Interest received		-	3
Interest paid		(20,501)	(21,684)
Net cash provided by operating activities	**17**	**8,688**	**8,212**
Cash flows from investing activities			
Payments for property, plant and equipment		(22,121)	(5,977)
Payments for intangible assets		-	(12,019)
Net cash used in investing activities		**(22,121)**	**(17,996)**
Cash flows from financing activities			
Proceeds from borrowings		24,884	200,000
Repayment of borrowings		(9,507)	(177,540)
Net cash provided by financing activities		**15,377**	**22,460**
Net increase in cash held		**1,944**	**12,676**
Cash and cash equivalents at the beginning of the financial year		(155,839)	(168,515)
Cash and cash equivalents at the end of the financial year	**7(a)**	**(153,895)**	**(155,839)**

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 in note 3.

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.

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(s) 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®** branches at Biggera Waters and Helensvale, Queensland.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

The branches operate 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®** branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

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

- design, layout and fit out of the **Community Bank®** branches
- 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.

Going concern

The net liabilities of the company as at 30 June 2017 were $49,754 and the loss made for the year was $55,788, bringing accumulated losses to $456,612.

In addition:	**$**
Total assets were	538,811
Total liabilities were	588,565
Operating cash flows were	8,688

There was a 154% increase in the loss recorded for the financial year ended 30 June 2017 when compared to the prior year.

The company meets its day to day working capital requirements through an overdraft facility. The overdraft has an approved limit of $225,000 and was drawn to $169,312 as at 30 June 2017.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Going concern (continued)

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 6 to 9. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

The current economic environment is difficult and while revenue continues to increase the company has again reported an operating loss for the year before tax. The directors consider that the outlook presents significant challenges in terms of banking business volume and pricing as well as for operating costs. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company may be required to seek an increase in its overdraft facility.

The company has held discussions with Bendigo and Adelaide Bank Limited about its future borrowing needs. It is likely that these discussions will not be completed for some time but no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms. The company has also obtained an undertaking of support from Bendigo and Adelaide Bank Limited that it will continue to support the company and its operations for the 2017/18 financial year. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

The directors have concluded that the combination of the circumstances above represents a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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).

Revenue calculation

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.

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

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.

Margin is paid on all core banking products. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.

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.

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.

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo and Adelaide Bank Limited has also made discretionary financial payments to the company. These are referred to by Bendigo and Adelaide Bank Limited as a "Market Development Fund" (MDF).

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and donations.

It is for the board to decide how to use the MDF.

The payments from Bendigo and Adelaide Bank Limited are discretionary and Bendigo and Adelaide Bank Limited may change the amount or stop making them at any time.

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.

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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.

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.

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).

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.

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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) Employee entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

e) 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.

f) 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.

g) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements 40 years
- plant and equipment 2.5 - 40 years
- motor vehicles 5 years

Note 1. Summary of significant accounting policies (continued)

h) Intangibles

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 the 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 the franchise agreement.

i) Payment terms

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

j) Borrowings

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

k) 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.

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership 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.

Note 1. Summary of significant accounting policies (continued)

l) Leases (continued)

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions of other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

n) 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.

o) 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.

p) 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.

Note 2. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

Note 2. Financial risk management (continued)

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the distribution limit.

The distribution limit is the greater of:

(a) 20% of the profit or funds of the franchisee 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 where 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 for the year ended 30 June 2017 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

There were no changes in the company's approach to capital management during the year.

Note 3. 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.

Note 3. Critical accounting estimates and judgements (continued)

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.

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.

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.

	2017 $	2016 $

Note 4. Revenue from ordinary activities

	2017 $	2016 $
Operating activities:		
- gross margin	719,802	575,187
- services commissions	71,989	179,972
- fee income	96,354	107,852
- market development fund	77,083	82,500
Total revenue from operating activities	**965,228**	**945,511**
Non-operating activities:		
- interest received	-	3
Total revenue from non-operating activities	**-**	**3**
Total revenues from ordinary activities	**965,228**	**945,514**

Note 5. Expenses

	2017 $	2016 $
Depreciation of non-current assets:		
- plant and equipment	2,310	2,455
- leasehold improvements	13,113	12,689
- motor vehicles	1,083	-
Amortisation of non-current assets:		
- franchise fee	3,652	2,000
- franchise renewal fee	16,097	8,000
- establishment fee	4,006	8,013
	40,261	**33,157**
Finance costs:		
- interest paid	20,501	21,684
Bad debts	3,109	11,458
Loss on disposal of asset	3,540	-

Note 6. Income tax credit

	2017 $	2016 $
The components of tax credit comprise:		
- Future income tax benefit attributable to losses	(19,442)	(11,650)
- Movement in deferred tax	(1,690)	9,386
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	4,235
- Over provision of tax in the prior period	-	(4,489)
	(21,132)	**(2,518)**

	Note	2017 $	2016 $

Note 6. Income tax credit (continued)

	Note	2017 $	2016 $
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax credit as follows			
Operating loss		(76,920)	(24,463)
Prima facie tax on loss from ordinary activities at 27.5% (2016: 28.5%)		(21,153)	(6,972)
Add tax effect of:			
- non-deductible expenses		994	-
- timing difference expenses		717	(4,678)
		(19,442)	**(11,650)**
Movement in deferred tax	11	(1,690)	9,386
Adjustment to deferred tax to reflect change of tax rate in future periods		-	4,235
Over provision of income tax in the prior year		-	(4,489)
		(21,132)	**(2,518)**

Note 7. Cash and cash equivalents

	Note	2017 $	2016 $
Cash at bank and on hand		15,417	12,417
		15,417	**12,417**
Note 7.(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:			
Cash at bank and on hand		15,417	12,417
Bank overdraft	13	(169,312)	(168,256)
		(153,895)	**(155,839)**

Note 8. Trade and other receivables

	Note	2017 $	2016 $
Trade receivables		41,409	37,061
Prepayments		5,705	4,167
Other receivables and accruals		2,148	4,868
		49,262	**46,096**

Note 9. Property, plant and equipment

	2017 $	2016 $
Leasehold improvements		
At cost	283,053	289,988
Less accumulated depreciation	(90,581)	(80,863)
	192,472	**209,125**
Plant and equipment		
At cost	48,062	47,185
Less accumulated depreciation	(30,869)	(28,559)
	17,193	**18,626**
Motor vehicles		
At cost	21,244	-
Less accumulated depreciation	(1,083)	-
	20,161	**-**
Total written down amount	**229,826**	**227,751**
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	209,125	215,836
Additions	-	5,978
Disposals	(3,540)	-
Less: depreciation expense	(13,113)	(12,689)
Carrying amount at end	**192,472**	**209,125**
Plant and equipment		
Carrying amount at beginning	18,626	21,082
Additions	877	-
Disposals	-	-
Less: depreciation expense	(2,310)	(2,456)
Carrying amount at end	**17,193**	**18,626**
Motor vehicles		
Carrying amount at beginning	-	-
Additions	21,244	-
Disposals	-	-
Less: depreciation expense	(1,083)	-
Carrying amount at end	**20,161**	**-**
Total written down amount	**229,826**	**227,751**

	2017 $	2016 $

Note 10. Intangible assets

	2017 $	2016 $
Franchise fee		
At cost	92,384	70,000
Less: accumulated amortisation	(72,985)	(69,333)
	19,399	**667**
Establishment fee		
At cost	32,019	32,019
Less: accumulated amortisation	(32,019)	(28,013)
	-	**4,006**
Renewal processing fee		
At cost	140,730	40,000
Less: accumulated amortisation	(53,431)	(37,334)
	87,299	**2,666**
Preliminary expenses		
At cost	61,800	61,800
Less: accumulated impairment losses	(61,800)	(61,800)
	-	-
Total written down amount	**106,698**	**7,339**

Note 11. Tax

	2017 $	2016 $
Deferred tax assets		
- accruals	743	1,170
- employee provisions	5,898	3,134
- tax losses carried forward	140,285	120,844
	146,926	**125,148**
Deferred tax liability		
- property, plant and equipment	9,318	8,672
	9,318	**8,672**
Net deferred tax asset	**137,608**	**116,476**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**(21,132)**	**(2,518)**

	Note	2017 $	2016 $

Note 12. Trade and other payables

	Note	2017 $	2016 $
Trade creditors		15,881	8,737
Other creditors and accruals		169,088	18,196
		184,969	**26,933**

Note 13. Borrowings

	Note	2017 $	2016 $
Current:			
Bank overdrafts		169,312	168,256
Chattel mortgage	18	6,007	-
Bank loans		21,768	22,104
		197,087	**190,360**
Non-Current:			
Chattel mortgage	18	17,419	-
Bank loans		167,641	175,354
		185,060	**175,354**

The approved overdraft limit is $225,000. Interest is charged at a rate of 3.85% (2016: 4.225%), with the overdraft first commencing 1 February 2013. The debt is secured by a fixed and floating charge over the company's assets and is subject to quarterly reviews by Bendigo Bank.

The bank loan is repayable monthly. Interest is recognised at an average rate of 7.1% (2016: 7.99%). The loan are secured by a fixed and floating charge over the company's assets. In January 2016 a $200,000 bank loan was taken out to repay two loans previously held by the company. The value of the loans at the date of repayment totalled $159,403.

Note 14. Provisions

	2017 $	2016 $
Current:		
Provision for annual leave	**11,811**	**4,887**
Non-Current:		
Provision for long service leave	**9,638**	**6,511**

Note 15. Contributed equity

	2017 $	2016 $
592,038 ordinary shares fully paid (2016: 592,038)	444,025	444,025
Less: equity raising expenses	(37,167)	(37,167)
	406,858	**406,858**

A bonus share issue on a 1:3 basis (148,013 shares) was issued to all existing shareholders on 18 June 2010.

Note 15. Contributed equity (continued)

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.

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 250. As at the date of this report, the company had 298 shareholders.

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.

Note 15. Contributed equity (continued)

Prohibited shareholding interest (continued)

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 $	2016 $
Note 16. Accumulated losses		
Balance at the beginning of the financial year	(400,824)	(378,879)
Net loss from ordinary activities after income tax	(55,788)	(21,945)
Balance at the end of the financial year	**(456,612)**	**(400,824)**

Note 17. Statement of cash flows

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

	2017 $	2016 $
Loss from ordinary activities after income tax	(55,788)	(21,945)
Non cash items:		
- depreciation	16,506	15,144
- amortisation	23,755	18,013
- loss on disposal of asset	3,540	-
Changes in assets and liabilities:		
- increase in receivables	(3,167)	(3,494)
- increase in other assets	(21,132)	(2,518)
- increase in payables	34,923	6,214
- increase/(decrease) in provisions	10,051	(3,202)
Net cash flows provided by operating activities	**8,688**	**8,212**

	2017 $	2016 $

Note 18. Leases

Finance lease commitments

Payable - minimum lease payments:		
- not later than 12 months	6,985	-
- between 12 months and 5 years	18,424	-
- greater than 5 years	-	-
Minimum lease payments	**25,409**	**-**
Less future finance charges	(1,983)	-
Present value of minimum lease payments	**23,426**	**-**

The finance lease for the motor vehicle, which commenced in Aprl 2017, is a three-year lease. Interest is recognised at an average rate of 4.725% (2016: nil).

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	87,990	84,300
- between 12 months and 5 years	294,547	172,729
- greater than 5 years	-	-
	382,537	**257,029**

The Biggera Waters and Helensvale Branch lease’s are non-cancellable lease’s with five-year terms, with rent payable monthly in advance.

Note 19. Auditor’s remuneration

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

- audit and review services	4,200	4,100
- share registry services	1,885	1,800
- non audit services	2,390	2,115
	8,475	**8,015**

Note 20. Director and related party disclosures

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

Robert John Knight
Trevor Newton Jones
Leeanne Kay Braund
Stephen Michael O'Donoghue
Michael Douglas McCarthy
Kerry Jane Brammer (Resigned 14 December 2016)

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

	2017	2016
Directors' Shareholdings		
Robert John Knight	667	-
Trevor Newton Jones	-	-
Leeanne Kay Braund	-	-
Stephen Michael O'Donoghue	42,667	40,000
Michael Douglas McCarthy	-	-
Kerry Jane Brammer (Resigned 14 December 2016)	-	-

	2017 $	2016 $

Note 21. Dividends paid or provided

	2017 $	2016 $
a. Dividends paid during the year		
No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	23,898	23,898
- franking credits that will arise from payment of income tax as at the end of the financial year	-	-
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	**23,898**	**23,898**
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	**23,898**	**23,898**

Note 22. 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 $	2016 $
Note 23. Earnings per share		
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(55,788)	(21,945)

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	592,038	592,038

Note 24. 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 25. 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 26. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Biggera Waters and Helensvale, Queensland pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 27. 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
33 Hollywell Road
Biggera Waters QLD 4216

Principal Place of Business
33 Hollywell Road
Biggera Waters QLD 4216

Note 28. 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.

	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2017 $**	**2016 $**	**2017 $**	**2016 $**	**2017 $**	**2016 $**	**2017 $**	**2016 $**	**2017 $**	**2016 $**	**2017 %**	**2016 %**
Financial assets												
Cash and cash equivalents	15,017	12,017	-	-	-	-	-	-	400	400	Nil	0.03
Receivables	-	-	-	-	-	-	-	-	41,409	37,061	N/A	N/A
Financial liabilities												
Interest bearing liabilities	169,312	168,256	27,775	22,104	186,731	175,354	-	-	-	-	5.31	6.02
Payables	-	-	-	-	-	-	-	-	15,881	8,737	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.

Note 28. Financial instruments (continued)

Sensitivity Analysis

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 $	2016 $
Change in profit/(loss)		
Increase in interest rate by 1%	(3,688)	(3,537)
Decrease in interest rate by 1%	3,688	3,537
Change in equity		
Increase in interest rate by 1%	(3,688)	(3,537)
Decrease in interest rate by 1%	3,688	3,537

Directors' declaration

In accordance with a resolution of the directors of Broadwater 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.

Robert John Knight,
Chairman

Signed on the 26th of September 2017.

AFS
Partners in success
Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
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Independent auditor's report to the members of Broadwater Financial Services Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Broadwater Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

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

What we have audited

Broadwater Financial Services Limited'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.

Material uncertainty related to going concern

Our opinion is not modified for this matter. We draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss after tax of $55,788 during the year ended 30 June 2017, and as of that date, the company's liabilities exceeded its total assets by $49,754 These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Independent audit report (continued)

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.

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: 26 September 2017

David Hutchings
Lead Auditor

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Metro Market Shopping Centre,
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www.bendigobank.com.au/biggera_waters

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Helensvale Plaza Shopping Centre,
12 Sir John Overall Drive, Helensvale QLD 4212
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