

Broadwater Financial Services Limited

ABN: 29 095 850 463

Financial Statements

For the half-year ended 31 December 2016

Broadwater Financial Services Limited

Directors' Report

Your directors submit the financial report of the company for the half-year ended 31 December 2016.

Directors

The names of directors who held office during the half-year and until the date of this report are as below:

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

Principal activities

The principal activity of the company during the course of the financial period was facilitating **Community Bank®** services under management rights to operate franchised branch of Bendigo and Adelaide Bank Limited.

Review of operations

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

Half-year ended 31 December 2016	Half-year ended 31 December 2015
\$ (15,373)	\$ (15,877)

Events after the end of the reporting period

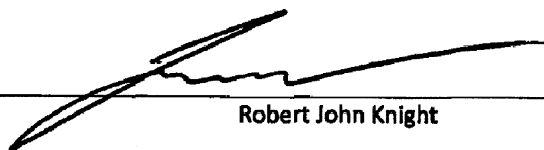
There are no matters or circumstances that have arisen since the end of the half-year reporting period that have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company.

Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 2.

Signed in accordance with a resolution of the directors at Biggera Water, Queensland on 7 March 2017.

Chairman



Robert John Knight

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Broadwater Financial Services Limited

We declare that, to the best of our knowledge and belief, for the half-year ended 31 December 2016 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review
- ii. any applicable code of professional conduct in relation to the review.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 7 March 2017



David Hutchings
Lead Auditor

Broadwater Financial Services Limited

Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2016

	2016 \$	2015 \$
Revenue from ordinary activities	479,907	456,186
Employee benefits expense	(306,859)	(282,269)
Charitable donations, sponsorship, advertising and promotion	(12,624)	(23,449)
Occupancy and associated costs	(68,540)	(68,142)
Systems costs	(19,465)	(19,077)
Depreciation and amortisation expense	(19,230)	(14,429)
Finance costs	(10,347)	(10,034)
General administration expenses	(64,045)	(60,685)
Loss before income tax	(21,203)	(21,899)
Income tax credit	5,830	6,022
Loss after income tax	(15,373)	(15,877)
Total other comprehensive income for the half-year attributable to the ordinary shareholders of the company:	(15,373)	(15,877)
Earnings per Share	¢	¢
Basic loss per share:	(2.60)	(2.68)

Broadwater Financial Services Limited

Balance Sheet

As At 31 December 2016

	31-Dec-2016	30-Jun-2016
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	8,417	12,417
Trade and other receivables	50,154	46,096
Total current assets	58,571	58,513
Non-current assets		
Property, plant and equipment	219,965	227,751
Intangible assets	119,010	7,339
Deferred tax assets	122,306	116,476
Total non-current assets	461,281	351,566
TOTAL ASSETS	519,852	410,079
LIABILITIES		
Current liabilities		
Trade and other payables	137,120	26,933
Borrowings	183,273	190,360
Provisions	5,054	4,887
Total current liabilities	325,447	222,180
Non-current liabilities		
Trade and other payables	24,623	-
Borrowings	171,772	175,354
Provisions	7,349	6,511
Total non-current liabilities	203,744	181,865
TOTAL LIABILITIES	529,191	404,045
NET ASSETS/(NET LIABILITIES)	(9,339)	6,034
EQUITY		
Issued capital	406,858	406,858
Accumulated losses	(416,197)	(400,824)
TOTAL EQUITY	(9,339)	6,034

The accompanying notes form part of these financial statements

Broadwater Financial Services Limited

Statement of Changes in Equity

For the half-year ended 31 December 2016

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2015	406,858	(378,879)	27,979
Total comprehensive income for the half-year	-	(15,877)	(15,877)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 31 December 2015	406,858	(394,756)	12,102
Balance at 1 July 2016	406,858	(400,824)	6,034
Total comprehensive income for the half-year	-	(15,373)	(15,373)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 31 December 2016	406,858	(416,197)	(9,339)

Broadwater Financial Services Limited

Statement of Cash Flows

For the half-year ended 31 December 2016

	2016 \$	2015 \$
Cash flows from operating activities		
Receipts from customers	522,961	490,664
Payments to suppliers and employees	(505,945)	(484,919)
Interest paid	(10,347)	(10,034)
Net cash provided by/(used in) operating activities	6,669	(4,289)
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(5,976)
Net cash provided by/(used in) investing activities	-	(5,976)
Cash flows from financing activities		
Repayment of borrowings	(3,918)	(15,595)
Net cash used in financing activities	(3,918)	(15,595)
Net increase/(decrease) in cash held	2,751	(25,860)
Cash and cash equivalents at the beginning of the financial year	(155,839)	(168,515)
Cash and cash equivalents at the end of the half-year	(153,088)	(194,375)

Broadwater Financial Services Limited

Notes to the Financial Statements

For the half-year ended 31 December 2016

Note 1. Summary of significant accounting policies

Statement of compliance

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard *AASB 134: Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard *IAS 34: Interim Financial Reporting*.

Basis of preparation

The half-year financial report is intended to provide users with an update on the latest annual financial statements and does not include all the notes of the type normally included in an annual financial report. Accordingly the report shall be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by the company during the period.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements and the previous corresponding interim period.

The half-year financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

There are no new and revised Accounting Standards or amendments thereof and Interpretations effective for the current reporting period relevant to the company that were not disclosed in the annual financial report for the year ended 30 June 2016.

Going concern

The net liabilities of the company as at 31 December 2016 were \$9,339 and the loss made for the half-year was \$15,373, bringing accumulated losses to \$416,197.

In addition:	\$
Total assets	519,852
Total liabilities	529,191
Operating cash flows	6,669

There was a 3% decrease in the loss recorded for the half-year ended 31 December 2016 when compared to the prior year comparative period and the company recorded an operating cash inflow for the period.

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 \$161,515 as at 31 December 2016. The company also has a bank loan with a value of \$193,540.

An interest expense of \$10,347 was incurred during the half-year.

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 page 1. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

Broadwater Financial Services Limited

Notes to the Financial Statements

For the half-year ended 31 December 2016

Note 1. Summary of significant accounting policies (*continued*)

Going concern (*continued*)

The current economic environment is difficult and while revenue continues to increase the company has again reported an operating loss for the period. 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 to meet its current obligations if it cannot get agreement from the Bendigo and Adelaide Bank Limited to pay its franchise fee annually.

The company has held discussions with Bendigo and Adelaide Bank Limited about its future borrowing needs and payment of the franchise fee. 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 2016/17 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.

Note 2. Events subsequent to reporting date

There have been no events subsequent to reporting date that would materially effect the financial statements at the reporting date.

Note 3. Contingent assets and liabilities

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

Note 4. Segment reporting

The economic entity operates in a single service sector where it facilitates community banking services in Biggera Waters, Queensland pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 5. Related parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2016 annual financial report.

Broadwater Financial Services Limited

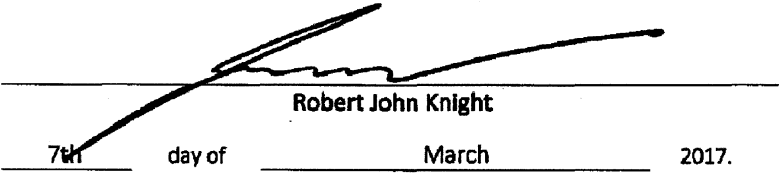
Directors' Declaration

In the opinion of the directors of Broadwater Financial Services Limited ("the company"):

1. The financial statements and notes thereto are in accordance with the *Corporations Act 2001* including:
 - a. giving a true and fair view of the financial position of the entity as at 31 December 2016 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date;
 - b. complying with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Chairman



Robert John Knight

Dated this

7th

day of

March

2017.

Independent auditor's review report to the members of Broadwater Financial Services Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Broadwater Financial Services Limited, which comprises the balance sheet as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Broadwater Financial Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*.

Material uncertainty related to going concern

Without modifying our opinion, we draw attention to Note 1 in the half-year financial report, which indicates that the company incurred a net loss after tax of \$15,373 during the half-year ended 31 December 2016, and as of that date, the company's liabilities exceeded its total assets by \$9,339. 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.

Auditor's opinion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Broadwater Financial Services Limited is not in accordance with the *Corporations Act 2001* including:

- a. giving a true and fair view of the company's financial position at 31 December 2016 and of its performance for the half-year ended on that date
- b. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 7 March 2017



David Hutchings
Lead Auditor

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Community Banking

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