Annual Report 2017

East Keilor Community Financial Services Limited

ABN 18 096 939 507

Keilor East **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2017

I am honoured and proud to present to you my fourth annual Chairman's report for the financial year ended June 2017.

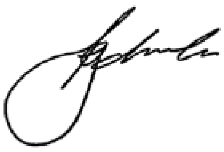
Over the past 12 months we have continued to see strong consistent growth in business.

I would like to take this opportunity to congratulate Tina Ballos, our Branch Manager, and our team in the branch that have once again achieved record results in the 2016/17 financial year for our business. Their achievement has not gone unnoticed and as a Board we could not be prouder of their hard work and determination.

I would also like to take this opportunity to thank the Directors for their contribution to our East Keilor **Community Bank**® Branch. I would like to thank Nancy Monforte for her contributions to the Marketing Committee whom has recently resigned from our Board. We wish her well in her future endeavours.

In the 2016/17 financial year we have contributed just over $20,000 back into our community. This brings our total contribution since 2009 to over $425,000. This is a remarkable achievement for our little **Community Bank®** branch that services the Keilor East and neighbouring communities. We continue to successfully leverage from this contribution into the community to grow our business. I would like to acknowledge our Marketing Committee for their continued commitment and contribution.

Through the hard work of staff and Board alike, the 2016/17 financial year has seen a positive result. I am looking forward to continued growth and positive outcomes for our branch in 2018.



Giovanni Andricciola
Chairman

Manager's report

For year ending 30 June 2017

Welcome to our 16th Annual General Meeting for the Keilor East **Community Bank**® Branch

It is with great pleasure that I present our report for the 2016/17 financial year and share the wonderful success that our branch has achieved over the last 12 months.

We have had a strong growth in both lending and deposits, our footings for the year grew by $21.5 million, bringing our total footings to $144.3 million. This was one of the biggest growths in Western region for the year, which shows that we are travelling in the right direction.

If we keep growing in this positive direction we will be in a very strong economic position, which will allow us to give back and reward our community and shareholders even more moving forward.

Firstly I would like to thank all our shareholders and customers for continuing to believe in us and supporting us through some difficult economic times, your support to the branch and myself is greatly appreciated because without you this branch would not exist.

To my Board of Directors, once again thank you for all your loyal support, commitment and passion that never goes astray. The work and effort that happens behind the scenes by all of you is just not recognised enough, so please accept my gratitude.

To my staff, all of you have played an important role in the success of the branch your dedication, commitment and collaboration is what drives this branch to another level of prosperity. Your support to me over the last two years has been a total blessing, thank you.

By showcasing our Bendigo Bank values and vision please continue to support the Keilor East **Community Bank**® Branch, share our story with family and friends on the wonderful work we do.

Once again thank you.

Tina Ballos
Branch Manager

Directors' report

For the financial year ended 30 June 2017

The Directors present their report of the company for the financial year ended 30 June 2017.

Directors

The following persons were Directors of the company during or since the end of the financial year up to the date of this report:

John Andricciola	
Position	Chairperson
Professional qualifications	BBus (Accountancy), FIPA
Experience and expertise	Accountant & Tax practitioner for over 15 years.
Matthew O'Rourke	
Position	Secretary
Professional qualifications	BA, GradCertPA, MBA(Exec), GAICD
Experience and expertise	International consultant specialising in economic regulation of telecommunications markets.
Gordon McFarlane	
(appointed October 2016)	
Position	Treasurer
Professional qualifications	JP, Bbus, CertBus(Acc), MBA, FCPA, GAICD
Experience and expertise	Former executive in water industry working in financial, contract management and governance.
Gerard Mahoney	
(appointed April 2017)	
Position	Marketing Convenor
Professional qualifications	Business owner
Experience and expertise	Owner/operator of a chauffer limousine business.
Mark Goldberg	
(appointed February 2017)	
Position	Director
Professional qualifications	BComm, CA
Experience and expertise	Over 30 years' experience in finance, general management, and owning businesses.
David Todd	
Position	Director
Professional qualifications	Retired pharmacist
Experience and expertise	Operation of pharmacy business in the local area for many years.
Peter William Bruce Millar	
Position	Director
Professional qualifications	LLB
Experience and expertise	Operation of a law practice in the local area for many years.

Directors (continued)

Nancy Rose Monforte
(retired April 2017)

Position	Marketing Convenor
Professional qualifications	
Experience and expertise	Operation of a printing business in the local area for many years.

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings		Finance, Audit & Risk Management Committee meetings		Marketing meetings	
Director	A	B	A	B		
John Andricciola	11	11	3	3	n/a	n/a
Matthew O'Rourke	11	10	3	3	n/a	n/a
Gordon McFarlane (appointed October 2016)	8	7	3	3	n/a	n/a
Gerard Mahoney (appointed April 2017)	3	3	1	1	6	6
Mark Goldberg (appointed February 2017)	4	3	3	3	n/a	n/a
David Todd	11	11	n/a	n/a	12	0
Peter William Bruce Millar	11	8	3	0	n/a	n/a
Nancy Monforte (retired April 2017)	9	7	1	1	8	8
Michael Minniti (retired July 2016)	0	0	n/a	n/a	0	0

A - The number of meetings eligible to attend.
B - The number of meetings attended.
N/A - not a member of that committee.

Company Secretary

Matthew O'Rourke has been the Company Secretary of East Keilor Community Financial Services Limited since October 2015. His qualifications include MBA(Exec) and GAICD.

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank**® branch services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Review of operations

The profit/loss of the company for the financial year after provision for income tax was $36,391 (2016: $18,159), which is a 100.40% increase as compared with the previous year.

Dividends

Dividends paid or declared since the start of the financial year.

A fully franked final dividend of 1.5 cents per share was declared and paid during the year for the year ended 30 June 2016. No dividend has been declared or paid for the year ended 30 June 2017 as yet.

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to the end of the reporting period

No matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future financial years.

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 9 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Remuneration report

Remuneration policy

The company's special position as a for-profit, community-based company places particular restrictions on how it should remunerate its Directors. The Board has determined the following policy, which was approved by shareholders at the 2016 AGM.

In recognition of the personal liability risk that a Director of the company bears, and the additional work involved in fulfilling certain key roles and functions, a Director serving in the role of Chair shall be paid an annual fee (pro rata) of up to $2,000); a Director performing the role of Company Secretary or Treasurer shall be paid an annual fee (pro rata) of up to $1,500; and a Director that performs the role of a committee Chair shall be paid an annual fee (pro rata) of up to $1,000.

Remuneration benefits and payments

Other than detailed below, 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. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

	2017 $
John Andricciola	1,208
Matthew O'Rourke	906
Gordon McFarlane (appointed October 2016)	906
Gerard Mahoney (appointed April 2017)	167
Mark Goldberg (appointed February 2017)	-
David Todd	-
Peter William Bruce Millar	-
Nancy Monforte (retired April 2017)	438
Michael Minniti (retired July 2016)	-
	3,625

Hoffman & Stops Pty Ltd, of which Gionvanni Andricciola is a Director, received a payment of $11,786 (2015: $11,460) for accounting, taxation and bookkeeping services provided to the company.

East Keilor Community Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be $Nil for the year ended 30 June 2017. The estimated benefit per Director is as follows:

Remuneration report (continued)

Equity holdings of key management personnel

The number of ordinary shares in the company held during the financial year and prior year by each Director and other key management personnel, including their related parties, are set out below:

Name	Balance at 30 June 2016	Net change in holdings	Balance at 30 June 2017
Directors			
John Andricciola	500		500
Matthew O'Rourke	-		
Gerard Mahoney (appointed April 2017)	-		
Mark Goldberg (appointed February 2017)	-		
David Todd	22,742		22,742
Peter William Bruce Millar	-		
Nancy Monforte (retired April 2017)	3,000		3,000
Michael Minniti (retired July 2016)	-		

Signed in accordance with a resolution of the Board of Directors at Keilor East on 19 September 2017.

Giovanni Andricciola
Director

Auditor's independence declaration

rsd Audit

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

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

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

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

P.P Delahunty
Partner
Richmond Sinnott & Delahunty
Dated: 19th September 2017

RSD Audit Pty Ltd
ABN 85 619 186 908

Financial statements

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

	Notes	2017 $	2016 $
Revenue	2	811,667	756,561
Expenses			
Employee benefits expense	3	(427,295)	(408,142)
Depreciation and amortisation	3	(45,404)	(43,791)
Auditors' remuneration	3	(11,268)	(9,200)
Administration and general costs		(104,964)	(106,941)
Occupancy expenses		(78,259)	(70,580)
IT expenses		(55,701)	(56,175)
Other expenses		(7,915)	(7,790)
		(730,806)	**(702,619)**
Operating profit before charitable donations and sponsorships		**80,861**	**53,942**
Charitable donations and sponsorships		(20,625)	(27,039)
Profit before income tax		**60,236**	**26,903**
Income tax expense	4	(23,845)	(8,744)
Profit/(loss) for the year		**36,391**	**18,159**
Other comprehensive income		-	-
Total comprehensive income for the year		**36,391**	**18,159**
Profit attributable to members of the company		36,391	18,159
Total comprehensive income attributable to members of the company		**36,391**	**18,159**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	17	5.68	2.83

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

Statement of Financial Position
as at 30 June 2017

	Notes	2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents	5	684,736	226,901
Trade and other receivables	6	81,063	69,379
Financial assets	7	-	380,000
Other assets	8	5,841	8,726
Total current assets		**771,640**	**685,006**
Non-current assets			
Property, plant and equipment	9	201,468	224,927
Intangible assets	10	58,837	3,798
Deferred tax assets	4	7,146	14,964
Total non-current assets		**267,451**	**243,689**
Total assets		**1,039,091**	**928,695**
Liabilities			
Current liabilities			
Trade and other payables	11	119,112	53,356
Current tax liability	4	19,849	4,666
Provisions	13	18,164	15,710
Total current liabilities		**157,125**	**73,732**
Non-current liabilities			
Provisions	13	370	145
Total non-current liabilities		**370**	**145**
Total liabilities		**157,495**	**73,877**
Net assets		**881,596**	**854,818**
Equity			
Issued capital	14	561,768	561,768
Retained earnings / Accumulated losses	15	319,828	293,050
Total equity		**881,596**	**854,818**

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

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

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2015		**561,768**	**297,321**	**859,089**
Profit / Loss for the year		-	18,159	18,159
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**18,159**	**18,159**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	16	-	(22,430)	(22,430)
Balance at 30 June 2016		**561,768**	**293,050**	**854,818**
Balance at 1 July 2016		**561,768**	**293,050**	**854,818**
Profit / Loss for the year		-	36,391	36,391
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**36,391**	**36,391**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	16	-	(9,613)	(9,613)
Balance at 30 June 2017		**561,768**	**319,828**	**881,596**

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

Statement of Cash Flows
for the year ended 30 June 2017

	Notes	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		858,296	791,467
Payments to suppliers and employees		(703,803)	(719,828)
Interest paid		-	(315)
Interest received		10,782	12,428
Income tax paid		(843)	(1,731)
Net cash provided by / (used in) operating activities	**18b**	**164,432**	**82,021**
Cash flows from investing activities			
Purchase of property, plant and equipment		(9,831)	-
(Purchase) / Redemption of investments		380,000	(380,000)
Purchase of intangible assets		(67,153)	-
Net cash flows from / (used in) investing activities		**303,016**	**(380,000)**
Cash flows from financing activities			
Repayment of borrowings		-	(31,048)
Dividends paid		(9,613)	(22,430)
Net cash provided by / (used in) financing activities		**(9,613)**	**(53,478)**
Net increase / (decrease) in cash held		**457,835**	**(351,457)**
Cash and cash equivalents at beginning of financial year		226,901	578,358
Cash and cash equivalents at end of financial year	**18a**	**684,736**	**226,901**

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

Notes to the financial statements

For year ended 30 June 2017

These financial statements and notes represent those of East Keilor Community Financial Services Limited.

East Keilor Community Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 15 September 2017.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Economic dependency

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

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

(b) Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(c) Goods and services tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(d) New and amended accounting policies adopted by the company

There are no new and amended accounting policies that have been adopted by the company this financial year.

(e) Comparative figures

When required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(f) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

<u>Estimation of useful lives of assets</u>

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

<u>Fair value assessment of non-current physical assets</u>

The AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

<u>Employee benefits provision</u>

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

Note 1. Summary of significant accounting policies (continued)

(f) Critical accounting estimates and judgements (continued)

<u>Income tax</u>

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset.

Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

<u>Impairment</u>

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(g) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on:

   (i) the objective of the entity's business model for managing the financial assets; and

   (ii) the characteristics of the contractual cash flows.

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

   - the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
   - the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Note 1. Summary of significant accounting policies (continued)

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

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018) (continued)

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

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

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

In May 2015, the AASB issued ED 260 Income of Not-for Profit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

(iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for ‘on-balance sheet’ by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;

Note 1. Summary of significant accounting policies (continued)

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

(iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019). (continued)

- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

Note 2. Revenue

Revenue arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The entity applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction.

Rendering of services

The entity generates service commissions on a range of products issued by the Bendigo and Adelaide Bank Limited. The revenue includes upfront and trailing commissions, sales fees and margin fees.

Interest, dividend and other income

Interest income is recognised on an accrual basis using the effective interest rate method.

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

	2017 $	**2016 $**
Revenue		
- service commissions	800,885	744,133
	800,885	**744,133**
Other revenue		
- interest received	10,782	12,428
	10,782	**12,428**
Total revenue	**811,667**	**756,561**

Note 3. Expenses

Operating expenses

Operating expenses are recognised in profit or loss on an accruals basis, which is typically upon utilisation of the service or at the date upon which the entity becomes liable.

Note 3. Expenses (continued)

Depreciation

The depreciable amount of all fixed assets, is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of asset	**Rate**	**Method**
Leasehold improvements	10%	SL
Plant and equipment	10-40%	DV

Gains/losses upon disposal of non-current assets

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

	2017 $	**2016 $**
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	347,760	331,042
- superannuation costs	32,380	31,172
- other costs	47,155	45,928
	427,295	**408,142**
Depreciation and amortisation		
Depreciation		
- plant and equipment	7,268	7,769
- leasehold improvements	26,022	26,022
	33,290	**33,791**
Amortisation		
- franchise fees	12,114	10,000
	12,114	**10,000**
Total depreciation and amortisation	**45,404**	**43,791**
Auditors' remuneration		
Remuneration of the Auditor, Richmond, Sinnott & Delahunty, for:		
- Audit or review of the financial report	5,300	4,800
- Share registry services	5,968	4,400
	11,268	**9,200**

Note 4. Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

	2017 $	2016 $
a. The components of tax expense comprise:		
Current tax expense	19,849	12,200
Deferred tax expense relating	7,818	(3,456)
Over provision in prior year	(3,822)	-
	23,845	**8,744**
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2016: 28.5%)	16,565	7,667
Add tax effect of:		
- Change in company tax rate	157	1,077
- Under provision of prior years	10,498	-
- Non-deductible	447	-
- Other	(3,822)	-
Income tax attributable to the entity	**23,845**	**8,744**
The applicable weighted average effective tax rate is	39.59%	32.50%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	4,666	(9,265)
Income tax paid	(4,664)	1,731
Current tax	19,849	12,200
	19,851	**4,666**

	2017 $	2016 $

Note 4. Income tax (continued)

d. Deferred tax asset

	2017 $	2016 $
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Property, plant & equipment	3,283	10,657
Accruals	372	963
Employee provisions	5,097	4,360
	8,752	**15,980**
Deferred tax liabilities balance comprises:		
Accrued income	86	1,016
Prepayments	1,520	-
	1,606	**1,016**
Net deferred tax asset	**7,146**	**14,964**

e. Deferred income tax (revenue)/expense included in income tax expense comprises:

	2017 $	2016 $
Decrease in deferred tax assets	7,228	(4,056)
Increase in deferred tax liabilities	590	600
	7,818	**(3,456)**

Note 5. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

	2017 $	2016 $
Cash at bank and on hand	614,736	76,901
Short-term bank deposits	70,000	150,000
	684,736	**226,901**

The effective interest rate on short-term bank deposits was 1.25% (2016: 1.9%); these deposits have an average maturity of 30 days.

Note 6. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

	2017 $	2016 $
Current		
Trade receivables	81,063	69,379
	81,063	**69,379**

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

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

	Gross amount $	Not past due $	Past due but not impaired			Past due and impaired $
			< 30 days $	31-60 days $	> 60 days $	
2017						
Trade receivables	81,063	81,063	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	**81,063**	**81,063**	**-**	**-**	**-**	**-**
2016						
Trade receivables	69,379	69,379	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	**69,379**	**69,379**	**-**	**-**	**-**	**-**

Note 7. Financial assets

Classification of financial assets

The company classifies its financial assets in the following categories:

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

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term with the intention of making a profit. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The company has not designated any financial assets at fair value through profit or loss.

Loans and receivables

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

Held to maturity investments

The group classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Available for sale financial asset

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

Note 7. Financial assets (continued)

Measurement of financial assets (continued)

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

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

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

Impairment of financial assets

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

<u>Assets carried at amortised cost</u>

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

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

Note 7. Financial assets (continued)

Impairment of financial assets (continued)

Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss."

Derecognition

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

	2017 $	2016 $
Held to maturity financial assets		
Term deposits	-	380,000
	-	**380,000**

Note 8. Other assets

Other assets represent items that will provide the entity with future economic benefits controlled by the entity as a result of past transactions or other past events.

	2017 $	2016 $
Prepayments	5,527	5,032
Accrued Interest	314	3,694
	5,841	**8,726**

Note 9. Property, plant and equipment

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

	2017 $	2016 $
Leasehold improvements		
At cost	260,219	260,219
Less accumulated depreciation	(104,275)	(78,253)
	155,944	**181,966**
Plant and equipment		
At cost	98,407	88,576
Less accumulated depreciation	(52,883)	(45,615)
	45,524	**42,961**
Total property, plant and equipment	**201,468**	**224,927**
Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the reporting period	181,966	207,988
Depreciation expense	(26,022)	(26,022)
Balance at the end of the reporting period	**155,944**	**181,966**
Plant and equipment		
Balance at the beginning of the reporting period	42,961	50,730
Additions	9,831	-
Depreciation expense	(7,268)	(7,769)
Balance at the end of the reporting period	**45,524**	**42,961**

	2017 $	2016 $

Note 9. Property, plant and equipment (continued)

	2017 $	2016 $
Total property, plant and equipment		
Balance at the beginning of the reporting period	224,927	258,718
Additions	9,831	-
Depreciation expense	(33,290)	(33,791)
Balance at the end of the reporting period	**201,468**	**224,927**

Note 10. Intangible assets

Franchise fees and have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation in the Statement of Profit or Loss and Other Comprehensive Income.

	2017 $	2016 $
Franchise fee		
At cost	67,153	150,000
Less accumulated amortisation	(8,316)	(146,202)
Total intangible assets	**58,837**	**3,798**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	3,798	13,798
Additions	67,153	-
Amortisation expense	(12,114)	(10,000)
Balance at the end of the reporting period	**58,837**	**3,798**

Note 11. Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

	2017 $	2016 $
Current		
Unsecured liabilities:		
Trade creditors	101,270	30,059
Other creditors and accruals	17,842	23,297
	119,112	**53,356**

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

Note 12. Financial liabilities

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

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

Note 13. Provisions

Short-term employee benefits

Provision is made for the company’s obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

Other long-term employee benefits

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

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

	2017 $	**2016 $**
Current		
Employee benefits	18,164	15,710
Non-current		
Employee benefits	370	145
Total provisions	**18,534**	**15,855**

Note 14. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

	2017 $	2016 $
594, 400 Ordinary shares fully paid	594,400	594,400
46,470 Bonus shares issued for no consideration	-	-
Less: Equity raising costs	(32,632)	(32,632)
	561,768	**561,768**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	640,870	640,870
At the end of the reporting period	**640,870**	**640,870**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

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

(i) the Distribution Limit is the greater of:

 (a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and

 (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

	2017 $	2016 $

Note 15. Retained earnings

	2017 $	2016 $
Balance at the beginning of the reporting period	293,050	297,321
Profit/(loss) after income tax	36,391	18,159
Dividends paid	(9,613)	(22,430)
Balance at the end of the reporting period	**319,828**	**293,050**

Note 16. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year

	2017 $	2016 $
Interim and/or final fully franked ordinary dividend of 1.5 cents per share (2016: 3.5 cents) franked at the tax rate of 27.5% (2016: 28.5%).	9,613	22,430

A provision is made for the amount of any dividends declared, authorised and no longer payable at the discretion of the entity on or before the end of the financial year, but not distributed at balance date.

Note 17. Earnings per share

Basic earnings per share

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

	2017 $	2016 $
Basic earnings per share (cents)	5.68	2.83
Earnings used in calculating basic earnings per share	36,391	18,159
Weighted average number of ordinary shares used in calculating basic earnings per share.	640,870	640,870

Note 18. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:

	2017 $	2016 $
Cash and cash equivalents (Note 5)	684,736	226,901
As per the Statement of Cash Flow	**684,736**	**226,901**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit / (loss) after income tax	36,391	18,159
Non-cash flows in profit		
- Depreciation	33,290	33,791
- Amortisation	12,114	10,000

	2017 $	2016 $

Note 18. Statement of cash flows (continued)

Changes in assets and liabilities

- (Increase) / decrease in trade and other receivables	(11,684)	(7,937)
- (increase) / decrease in prepayments and other assets	2,885	(1,459)
- (Increase) / decrease in deferred tax asset	7,818	(7,279)
- Increase / (decrease) in trade and other payables	65,756	17,490
- Increase / (decrease) in current tax liability	15,185	13,931
- Increase / (decrease) in provisions	2,679	5,325
Net cash flows from / (used in) operating activities	**164,434**	**82,021**

Note 19. Key management personnel and related party disclosures

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

The totals of remuneration paid to key management personnel of the company during the year are as follows:

	2017 $	2016 $
Short-term employee benefits	3,625	-
Post-employment benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
Total key management personnel compensation	**3,625**	**-**

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other key management personnel.

Post-employment benefits

These amounts are the current year's estimated cost of providing the company's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

Note 19. Key management personnel and related party disclosures (continued)

(a) Key management personnel (continued)

Share-based payments

These amounts represent the expense related to the participation of key management personnel in equity-settled benefits schemes as measured by the fair value of the options, rights and shares granted on grant date.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company.

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

Name of related party	Description of goods/services	Value $
Hoffman & Stops	Accounting & Bookkeeping services	11,786
FM Printing	Printing	868

The East Keilor Community Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits.

The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors are unaware of any benefits derived under the Directors Privilege Package for the year ended 30 June 2017.

(d) Key management personnel shareholdings

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

	2017	2016
John Andricciola	500	500
Matthew O'Rourke	-	-
Gordon McFarlane (appointed October 2016)	-	-
Gerard Mahoney (appointed April 2017)	-	-
Mark Goldberg (appointed February 2017)	-	-
David Todd	22,742	22,742
Peter William Bruce Millar	-	-
Nancy Monforte (retired April 2017)	3,000	3,000
	26,242	**26,242**

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

Note 19. Key management personnel and related party disclosures (continued)

(e) Other key management transactions

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

Note 20. Events after the reporting period

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

Note 21. Contingent liabilities and contingent assets

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

Note 22. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one area being Keilor East, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2016: 100%).

Note 23. Commitments

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.

	2017 $	2016 $
Payable:		
- no later than 12 months	8,250	49,487
- between 12 months and five years	-	41,952
- greater than five years	-	-
Minimum lease payments	**8,250**	**91,439**

Note 24. Company details

The registered office and principle place of business is 53 Wyong Street, Keilor East, Vic 3033

Note 25. Financial risk management

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established a Finance and Audit Committee which reports regularly to the Board. The Finance and Audit Committee is assisted in the area of risk management by an internal audit function.

Note 25. Financial risk management (continued)

Specific financial risk exposure and management

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

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

		2017 $	2016 $
Financial assets			
Cash and cash equivalents	5	684,736	226,901
Trade and other receivables	6	81,063	69,379
Financial assets	7	-	380,000
Total financial assets		**765,799**	**676,280**
Financial liabilities			
Trade and other payables	11	119,112	53,356
Total financial liabilities		**119,112**	**53,356**

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the table above.

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

None of the assets of the company are past due (2016: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

Note 25. Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

30 June 2017	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1.25%	684,736	684,736	-	-
Trade and other receivables		81,063	81,063	-	-
Financial assets		-	-	-	-
Total anticipated inflows		**765,799**	**765,799**	**-**	**-**
Financial liabilities					
Trade and other payables		119,112	119,112	-	-
Total expected outflows		**119,112**	**119,112**	**-**	**-**
Net inflow / (outflow) on financial instruments		**646,687**	**646,687**	**-**	**-**

30 June 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1.9%	226,901	226,901	-	-
Trade and other receivables		69,379	69,379	-	-
Financial assets	2.6%	380,000	380,000	-	-
Total anticipated inflows		**676,280**	**676,280**	**-**	**-**
Financial liabilities					
Trade and other payables		53,356	53,356	-	-
Total expected outflows		**53,356**	**53,356**	**-**	**-**
Net inflow / (outflow) on financial instruments		**622,924**	**622,924**	**-**	**-**

Note 25. Financial risk management (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit $	Equity $
Year ended 30 June 2017		
+/- 1% in interest rates (interest income)	6,847	6,847
	6,847	**6,847**
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	6,069	6,069
	6,069	**6,069**

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

Fair value estimation

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company.

Note 25. Financial risk management (continued)

(d) Price risk (continued)

Fair values (continued)

	2017		2016	
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair Value $**
Financial assets				
Cash and cash equivalents (i)	684,736	684,736	226,901	226,901
Trade and other receivables (i)	81,063	81,063	73,073	73,073
Financial assets	-	-	380,000	380,000
Total financial assets	**765,799**	**765,799**	**679,974**	**679,974**
Financial liabilities				
Trade and other payables (i)	119,112	119,112	53,356	53,356
Total financial liabilities	**119,112**	**119,112**	**53,356**	**53,356**

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

Directors' declaration

In accordance with a resolution of the Directors of East Keilor Community Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 10 to 37 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2017 and of the performance for the year ended on that date;

2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Giovanni Andricciola
Director

Signed at Keilor East on 19 September 2017.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF EAST KEILOR COMMUNITY FINANCIAL SERVICES LIMITED

Opinion

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

In our opinion:

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

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

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

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Report*** section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility 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. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsible to those risks, and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness if the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt in the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Auditor's Opinion

In our opinion, the remuneration report of East Keilor Community Financial Services Limited, for the year ended 30 June 2017 complies with s 300A of the *Corporations Act 2001.*

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

P.P Delahunty
Partner

Dated at Bendigo, 19 September 2017

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