Annual Report 2017

Edenhope & District Financial Services Ltd

ABN 68 103 869 227

Edenhope & District **Community Bank**® Branch

Contents

Chairman’s report

For year ending 30 June 2017

This is my first Chairman’s report since taking on the role following Wayne Caldow’s decision to step aside.

Firstly I would like to make mention of the outstanding job Wayne has done in his time in the role, 13 years as Chairman and for three years prior to that he played an integral part in the Steering Committee to get the **Community Bank®** company off the ground. We are all grateful to him for the massive role he has played and will continue to play as he continues as a member of the board.

My first year in this role been interesting and challenging to say the least. I have learnt a lot and are continuing to learn a lot about both the **Community Bank®** company and governance.

Staff

In May we farewelled our Branch Manager James Ackland. James commenced with us in October 2012, at that time we had a total business of just over $42 million. In the four years in this role James grew the portfolio by just over $17 million, a tremendous effort. I would like to thank James for the excellent job he did for us whilst in the Branch Manager role and we wish him all the best in his new role as Branch Manager at Beaufort.

We are fortunate to have had one of our Customer Service Officers Di Saunders promoted into a managerial role, Di has hit the ground running and is picking up where James left off and we hit the $60 million of business just three months later. Di is proving herself to be very capable in her new role and we thank her for her commitment to the role.

We welcomed Michelle Penrose as a part time Customer Service Officer in June. Michelle joins Alex Lang and Margie Reid at the counter. Michelle has settled into the role well and all are working well as a team. I would also like to acknowledge Margie who recently celebrated her 14th anniversary with us. We truly don’t know what we would do without you, thank you Margie for all that you do. Alex continues to be a friendly face in the branch and has really grown in her role.

Board

We have had a few Board changes this past year, Ashley Caldow who has dedicated over 14 years to the Board retired in November last year. Ashley was involved with the original Steering Committee and has been a very active member over the years.

Vlada Gajic also resigned in November. Vlada was a sound contributor to Board discussions, he also spent a number of years as Secretary. I would like to thank both Ashley and Vlada for their contribution to the Board.

In November we welcomed Sarah Ellis, Sarah’s knowledge and experience along with her drive and determination will be a great asset to the Board.

I would like to thank all the Board members for continuing to volunteer their valuable time to the Board and the community to achieve our vision to provide a professional banking service which will grow and strengthen our community.

I would also like to thank our Board Secretary, Sharon West She is very diligent in her role and does a great job. We must also congratulate Sharon and Brad on the new addition to their family, Eli born in May this year. We look forward to Sharon’s return from leave shortly. I would also like to thank Kate Hausler and Rae Stone who have assisted me with the Secretary duties in Sharon’s absence.

Bendigo Staff

This year Bendigo Bank have had a restructure, which meant that Leanne Martin’s role was split in two. Leanne’s Regional Manager role now focuses more on the branch operations side of things and we welcomed Mark O’Dowd who provides assistance to the Board. Mark has been invaluable to us in his guidance and advice to the Board. I would like to thank Mark and Leanne and all the other Bendigo Bank staff, Lara, Meagan, Graham and team for all their support.

Chairman's report (continued)

The Business

It has been great to be able to report a profit for the 2016/17 financial year. Over the past four financial years we have recorded a profit and this year would have been our greatest yet, however it is disappointing to report due to fraudulent offences by a former staff member that the profit for this financial year was not as high as it should have been.

We have worked hard as a Board of over the past year on marketing and reducing our expenses and with the business growing we are looking forward to seeing the profits grow each year and for us to be closer to returning a dividend to our shareholders and giving back more to the community.

Rural Bank

Agribusiness continues to be where we are focusing our main growth. Rural Bank, which now incorporates Rural Finance, offers an increased range of products to the agricultural producers.

Luke Riley as has done a fantastic job in growing our agribusiness and I would like to thank him for all he has done for the branch. In February, Luke was promoted to another role and relocated to Warrnambool. We have welcomed Robert Barnes as our new Agribusiness Relationship Manager, Robert has a wealth of knowledge and experience in agribusiness.

Supporting our community

I am pleased to report that we have again supported many community groups, clubs and schools. These include Edenhope Vision & Voice, Apsley Alive, Edenhope Golf Club, Edenhope Apsley Football Netball Club, Edenhope Bowling Club, Edenhope Show shearing, Edenhope College, Lake Charlegrark Country Music Festival, Apsley Golf Club and Women on Farms Gathering.

Thank you

On behalf of the Board and staff I would like to thank all our shareholders for your support, without you we would not be here. We hope that you are continuing to support the branch with your business so that we can continue to grow and return profits to you and the community.

Sara McDonnell

Sara McDonnell
Chairman - Edenhope & District Financial Services Limited

Community Contributions

For year ending 30 June 2017

The Edenhope & District Community Bank® Branch has been open for 14 years and in this time we have provided over $180,000 back into the local community through Sponsorships & Grants.

Edenhope & District **Community Bank®** Branch continues it's committment to giving back to the community. Each year these contributions grow and with increased community support it allows us to give back more every year.

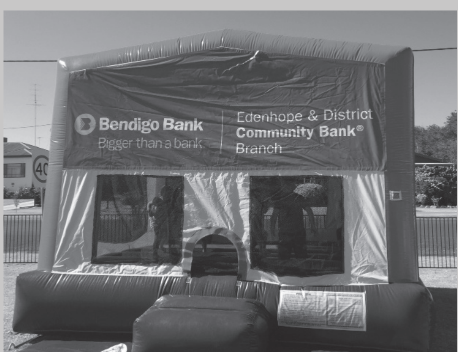
Our Community Investment Programs, grants and sponsorships can be applied for and given out on a quarterly basis. Any successful applicant for a Community Investment will then be rewarded with their cheque at a special function held.

As part of the Community Investment program recipient will be expected to attend a presentation function to be presented with their cheque.

This format is a fair and transparent way to run the Community Investment program. It provides Edenhope & District Community Bank Branch with a stronger relationship with the community groups and clubs and allows us to maximise our exposure for the funds we are investing back into the community. It will also show all the people in the community who we are supporting through this program.

The more people and businesses who have their banking with the Edenhope & District Community Bank, the more money we can invest back into this great community. That is what the Edenhope & District Community Bank is here to do and we want to help make this community more sustainable into the future.

	$
Vision & Voice	550.00
Apsley Alive	400.00
Edenhope Apsley Football Netball Club	1,083.00
Edenhope College (Camp Awakenings & Student Award)	1,300.00
Edenhope Show Shearing	250.00
Edenhope Bowling Club	425.00
Jumping Castle (value based on market value hire rates) - Carols by Candlelight; Henley on Lake Wallace; Edenhope Race Club; Edenhope Show; Frances Folk Festival; Apsley Alive; Harrow Billycarts; Edenhope Football Club; Apsley Racing Club; Goroke CFA	5,000.00
Lake Charligrake Country Music Festival	55.00
West Wimmera Women on Farms Gathering	2500.00
Apsley Golf Club	50.00
Total Contributions	**$11,613**



JUMPING CASTLE

We have a Jumping Castle for hire for your next event!!
$55 for community groups and
$165 for businesses or personal hire.

Please contact the branch for more information and bookings.
Note: the hirer will need to supply supervision

Bendigo and Adelaide Bank report

For year ending 30 June 2017

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

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

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

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

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

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

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

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

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

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

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

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

Robert Musgrove
Executive Engagement Innovation

Directors' report

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

Directors

The following persons were Directors of Edenhope & District Financial Services Limited during or since the end of the financial year up to the date of this report:

Wayne D Caldow	
Experience and expertise	Primary Producer in the Edenhope District for over 40 years
Other current directorships	Nil
Former directorships in last 3 years	President of the Edenhope/Apsley Football Netball Club
Special responsibilities	Nil

Kathryn E Hausler, Treasurer	
Experience and expertise	Primary Producer in Edenhope for over 45 years. Experience in Banking and Insurance
Other current directorships	Edenhope & District Memorial Hospital Board Member & Treasurer
Former directorships in last 3 years	Nil
Special responsibilities	Finance & Audit Committee

Sara McDonnell, Chairperson	
Experience and expertise	Bachelor of Management (Marketing & Tourism)
Other current directorships	Vision & Voice Committee
Former directorships in last 3 years	Edenhope Race Club Committee; Edenhope Racecourse Committee of Management.
Special responsibilities	Community investment & Marketing; Human Resources committee

Luke S Munro	
Experience and expertise	Owner Operator of West Wimmera Rural Services.
Other current directorships	Secretary of Edenhope Angling Club; Henley Committee member
Former directorships in last 3 years	Nil
Special responsibilities	Community Investment & Marketing Committee

Ashley R Caldow (resigned 23 November 2016)	
Experience and expertise	Primary Producer in Edenhope & District for over 30 years
Other current directorships	Member of Edenhope College School Council; Member of Henley Committee; Patyah CFA
Former directorships in last 3 years	Nil
Special responsibilities	Nil

Francis Carberry	
Experience and expertise	Owner/Operator Edenhope Tyres & Fuel for over 11 years, prior to that in Motel Management, Trucks and tourism in Northern Territory for 18 years
Other current directorships	President Edenhope Dirt Circuit
Former directorships in last 3 years	Nil
Special responsibilities	Community Investment & Marketing Committee

Directors' report (continued)

Ritchie R Middleton	
Experience and expertise	Primary Producer in Edenhope & District for over 30 years
Other current directorships	Edenhope Golf Club President; Kadnook CFA
Former directorships in last 3 years	Nil
Special responsibilities	Nil

Rae Stone	
Experience and expertise	Administrative Officer with the West Wimmera Shire. Over 22 years experience in Business, Finance.
Other current directorships	Edenhope Lions Club Treasurer
Former directorships in last 3 years	Nil
Special responsibilities	Nil

Vlada Gajic (resigned 23 November 2016)	
Experience and expertise	Director of Gumlea IT solutions. Over 20 years experience in IT industry
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Nil

Anthony Lees	
Experience and expertise	Primary Producer in Goroke District for over 25 years
Other current directorships	Karnak CFA Captain
Former directorships in last 3 years	Nil
Special responsibilities	Nil

Sarah Ellis (appointed 23 November 2016)	
Experience and expertise	Employee of the West Wimmera Shire Council. Experience in logistics, mining and project management. Bachelor of Commerce / Management. Secretary of the Border Districts Ladies Committee.
Other current directorships	Secretary and treasurer of the Garoke Tennis Club.
Former directorships in last 3 years	Nil
Special responsibilities	Nil

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

No Directors have material interests in contracts with the company.

Directors’ report (continued)

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings		Audit Committee meetings	
	A	B	A	B
Wayne D Caldow	11	8	11	8
Kathryn E Hausler, Treasurer	11	11	11	11
Sara McDonnell, Chairperson	11	10	11	10
Luke S Munro	11	7	11	7
Ashley R Caldow (resigned 23 November 2016)	5	3	N/A	N/A
Francis Carberry	11	7	N/A	N/A
Ritchie R Middleton	11	6	N/A	N/A
Rae Stone	11	5	N/A	N/A
Vlada Gajic (resigned 23 November 2016)	5	0	N/A	N/A
Anthony Lees	11	6	N/A	N/A
Sarah Ellis (appointed 23 November 2016)	6	4	N/A	N/A

A - The number of meetings eligible to attend.

B - The number of meetings attended.

N/A - not a member of that committee.

Company Secretary

Sharon West is a non-director secretary. Sharon has over 20 years’ experience in the insurance and finance industry.

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 of the company for the financial year after provision for income tax was $13,502 (2016 profit: $6,776), which is a 99% increase as compared with the previous year. Included within the profit is a theft from an ex-employee of $45,381 which is to be repaid to Bendigo and Adelaide Bank Limited. The increase in the net profit is a result of a favourable change to franchise margin rates from Bendigo and Adelaide Bank Limited.

Dividends

No dividends have been paid or declared since the start of the financial year.

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.

Directors' report (continued)

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 6 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Non-audit services

The Board of Directors are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 3 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and

- none of the services undermine the general principles relating to Auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* .

Signed in accordance with a resolution of the Board of Directors at Edenhope on 29 September 2017.

Sara McDonnell

Sara McDonnell
Director

Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552

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admin@rsdaudit.com.au
www.rsdaudit.com.au

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Edenhope & District 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.

RSD Audit
Chartered Accountants

P. P. Delahunty
Partner
Bendigo
Dated: 29 September 2017

Financial Statements

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

	Note	2017 $	2016 $
Revenue	2	415,138	434,359
Expenses			
Employee benefits expense	3	(209,232)	(228,996)
Depreciation and amortisation	3	(21,065)	(21,120)
Finance costs	3	(1,339)	(19,353)
Administration and general costs		(23,305)	(36,526)
Professional fees		(34,906)	(31,811)
Occupancy expenses		(27,922)	(27,853)
IT expenses		(18,151)	(19,475)
ATM costs		(10,454)	(9,948)
Loss due to theft	12	(45,841)	-
		(392,215)	(395,082)
Operating profit before charitable donations and sponsorships		**22,923**	**39,277**
Charitable donations and sponsorships		(4,301)	(5,673)
Profit before income tax		**18,622**	**33,604**
Income tax expense	4	(5,120)	(26,828)
Profit for the year		**13,502**	**6,776**
Other comprehensive income		-	-
Total comprehensive income for the year		**13,502**	**6,776**
Profit attributable to members of the company		13,502	6,776
Total comprehensive income attributable to members of the company		**13,502**	**6,776**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	16	2.84	1.42

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

Financial Statements (continued)

Statement of FInancial Positionas at 30 June 2017

	Note	2017 $	2016 $
Assets			
Current assets			
Trade and other receivables	5	30,385	29,520
Other assets	6	3,734	3,735
Total current assets		**34,119**	**33,255**
Non-current assets			
Plant and equipment	7	16,578	23,800
Intangible assets	8	13,844	27,688
Deferred tax assets	4	238,972	244,092
Total non-current assets		**269,394**	**295,580**
Total assets		**303,513**	**328,835**
Liabilities			
Current liabilities			
Trade and other payables	10	29,328	26,860
Borrowings	11	44,670	67,360
Provisions	12	60,631	11,799
Total current liabilities		**134,629**	**106,019**
Non-current liabilities			
Borrowings	11	377,000	414,253
Trade and other payables	10	-	27,688
Provisions	12	3,308	5,801
Total non-current liabilities		**380,308**	**447,742**
Total liabilities		**514,937**	**553,761**
Net assets		**(211,424)**	**(224,926)**
Equity			
Issued capital	13	476,160	476,160
Accumulated losses	14	(687,584)	(701,086)
Total equity		**(211,424)**	**(224,926)**

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

Financial Statements (continued)

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

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2015		**476,160**	**(707,862)**	**(231,702)**
Profit for the year		-	6,776	6,776
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**6,776**	**6,776**
Balance at 30 June 2016		**476,160**	**(701,086)**	**(224,926)**
Balance at 1 July 2016		**476,160**	**(701,086)**	**(224,926)**
Profit for the year		-	13,502	13,502
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**13,502**	**13,502**
Balance at 30 June 2017		**476,160**	**(687,584)**	**(211,424)**

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

Financial Statements (continued)

Statement of Cash Flows for the year ended 30 June 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		459,829	460,581
Payments to suppliers and employees		(380,662)	(403,285)
Interest paid		(5,381)	(19,353)
Net cash provided by operating activities	17b	**73,786**	**37,943**
Cash flows from investing activities			
Purchase of intangible assets		(13,844)	(13,844)
Net cash flows used in investing activities		**(13,844)**	**(13,844)**
Cash flows from financing activities			
Repayment of borrowings		(58,487)	(5,161)
Net cash provided by financing activities		**(58,487)**	**(5,161)**
Net increase in cash held		**1,455**	**18,938**
Cash and cash equivalents at beginning of financial year		(41,294)	(60,232)
Cash and cash equivalents at end of financial year	17a	**(39,839)**	**(41,294)**

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

Notes to the financial statements

for the year ended 30 June 2017

These financial statements and notes represent those of Edenhope & District Financial Services Limited.

Edenhope & District 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 29 September 2017.

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 Edenhope.

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

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

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branches;
- 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.

Going Concern

The net liabilities of the company as at 30 June 2017 were $221,424 and the profit made for the year was $13,502 bringing accumulated losses to $687,584. In 2016/17, the company generated $73,786 in net cash flows from operating activities.

The company meets its day to day working capital requirements through an overdraft facility that is due for renewal on 30 September 2017. The overdraft has an approved limit of $100,000 and was drawn to $39,839 as at 30 June 2017. The company also has a commercial bill facility of $400,000, which is drawn to $377,000 at year end.

The company recognises that losses will be incurred during the development of the business and while market access is being developed within the district. The directors will continue to review their growth forecast budget and cash flows throughout the 2017/18 year, and measure to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flow.

Bendigo and Adelaide Bank Limited has confirmed that it will continue to support the Company and its operations for the 2017/18 financial year, and beyond through the provision of an overdraft facility on normal commercial terms and conditions to assist with working capital requirements. The 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. During the year, the company reduced its borrowings by $59,943.

Based on the above, and after making additional enquiries, the directors believe that it is reasonably foreseeable that the company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

Notes to the financial statements (continued)

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:

Estimation of useful lives of assets

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.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(f) Critical accounting estimates and judgements (continued)

Fair value assessment of non-current physical assets

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.

Employee benefits provision

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.

Income tax

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.

Impairment

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:

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.

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)

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.

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.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

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

(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.

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;
- 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.

Notes to the financial statements (continued)

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.

Other income
Other revenue is recognised when the right to the income has been established.

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

	2017 $	2016 $
Revenue		
- service commissions	412,365	413,302
	412,365	413,302
Other revenue		
- other revenue	2,773	21,057
	2,773	21,057
Total revenue	**415,138**	**434,359**

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.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Depreciation
The depreciable amount of all fixed assets, including buildings and capitalised leased 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*
Plant and equipment	7.5 - 20%	Straight line

Notes to the financial statements (continued)

3. Expenses (continued)

	2017 $	2016 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	178,505	196,408
- superannuation costs	16,323	18,621
- other costs	14,404	13,967
	209,232	228,996
Depreciation and amortisation		
Depreciation		
- plant and equipment	7,221	7,275
Amortisation		
- franchise fees	13,844	13,845
Total depreciation and amortisation	21,065	21,120
Finance costs		
- Interest paid	1,339	19,353
Remuneration of the Auditor, Richmond, Sinnott & Delahunty, for:		
- Audit or review of the financial report	6,375	5,250
- Share registry services	1,900	1,850
	8,275	7,100

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 are measured at the amounts expected to be paid to 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	5,556	9,577
Deferred tax expense	5,120	32,271
Recoupment of prior year tax losses	(5,556)	(9,577)
Under / (over) provision of prior years	-	(5,443)
	5,120	**26,828**

4. Income tax (continued)

	2017 $	2016 $
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%)	5,120	9,577
Income tax attributable to the entity	**5,120**	**9,577**
The applicable weighted average effective tax rate is:	27.5%	79.8%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	-	-
Current tax	5,556	9,577
Recoupment of prior year tax losses	(5,556)	(9,577)
	-	-
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Accruals	298	-
Employee provisions	4,977	4,840
Unused tax losses	233,697	239,252
Net deferred tax asset	**238,972**	**244,092**
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	5,120	(32,271)
	5,120	**(32,271)**

Notes to the financial statements (continued)

5. 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	30,385	29,520
	30,385	**29,520**

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	30,385	30,385	-	-	-	-
Total	**30,385**	**30,385**	**-**	**-**	**-**	**-**
2016						
Trade receivables	29,520	29,520	-	-	-	-
Total	**29,520**	**29,520**	**-**	**-**	**-**	**-**

6. 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	3,734	3,735
	3,734	**3,735**

7. Plant and equipment

Plant and equipment are 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	29,330	29,330
Less accumulated depreciation	(29,330)	(29,330)
	-	-
Plant and equipment		
At cost	76,685	76,687
Less accumulated depreciation	(60,107)	(52,887)
	16,578	23,800
Total plant and equipment	**16,578**	**23,800**

Movements in carrying amounts

	2017	2016
Plant and equipment		
Balance at the beginning of the reporting period	23,800	31,075
Depreciation expense	(7,221)	(7,275)
Balance at the end of the reporting period	**16,579**	**23,800**

8. Intangible assets

Franchise fees and preliminary expenses 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	129,221	129,221
Less accumulated amortisation	(115,377)	(101,533)
	13,844	27,688

8. Intangible assets (continued)

Preliminary expenses		
At cost	80,541	80,541
Less accumulated amortisation	(80,541)	(80,541)
	-	-
Total intangible assets	**13,844**	**27,688**

Movements in carrying amounts

Franchise fee		
Balance at the beginning of the reporting period	27,688	41,533
Amortisation expense	(13,844)	(13,845)
Balance at the end of the reporting period	**13,844**	**27,688**

9. Financial assets and financial liabilities

FINANCIAL ASSETS

Classification of financial assets

The company classifies its financial assets as loans and receivables.

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.

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.

Measurement of financial assets

At initial recognition, the group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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 company 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.

Assets carried at amortised cost

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.

9. Financial assets and financial liabilities (continued)

Derecognition of financial assets

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.

FINANCIAL LIABILITIES

Classification of 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.

Measurement and derecognition of financial liabilities

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.

10. 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	7,947	3,643
Other creditors and accruals	7,537	9,373
Franchise fees	13,844	13,844
	29,328	**26,860**
Non-current		
Unsecured liabilities:		
Franchise fees	-	27,688
Total trade and other payables	**43,172**	**54,548**

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

11. Borrowings

Loans

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measures at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Notes to the financial statements (continued)

11. Borrowings (continued)

Borrowings as 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.

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

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

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Operating leases
Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

	2017 $	2016 $
Current		
Unsecured liabilities		
Bank overdraft	39,839	41,294
Unsecured loans from other community banks	-	20,000
Secured liabilities		
Finance leases	4,831	6,066
	44,670	**67,360**
Non-current		
Unsecured liabilities		
Unsecured loans from other community banks	-	10,000
Secured liabilities		
Bank loan	377,000	400,000
Finance leases	-	4,253
	377,000	**414,253**
Total borrowings	**421,670**	**481,613**

(a) Bank overdraft and bank loans
The company has an overdraft facility of $100,000 and a term loan facility of $400,000 from Bendigo and Adelaide Bank Limited which are both interest-free.

Security for the loan consists of an exiting Registered First Company Debenture Mortgage.

(b) Lease liabilities
Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Notes to the financial statements (continued)

12. 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	14,790	11,799
Other provisions	45,841	-
	60,631	11,799
Non-current		
Employee benefits	3,308	5,801
Total provisions	**63,939**	**17,600**

The other provision of $45,841 noted above relates to a theft by an ex-employee. It has been agreed the amount will be reimbursed to Bendigo and Adelaide Bank Limited by the community bank.

13. Share capital

Ordinary shares are classified as equity.

	2017 $	2016 $
476,160 Ordinary shares fully paid	476,160	476,160
	476,160	**476,160**

13. Share capital (continued)

Movements in share capital

Fully paid ordinary shares:		
At the beginning of the reporting period	476,160	476,160
Shares issued during the year	-	-
At the end of the reporting period	**476,160**	**476,160**

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.

14. Accumulated losses

	2017	**2016**
	$	**$**
Balance at the beginning of the reporting period	(701,086)	(707,862)
Profit after income tax	13,502	6,776
Balance at the end of the reporting period	**(687,584)**	**(701,086)**

15. Dividends paid or provided for on ordinary shares

No dividends were paid or proposed by the company during the period.

16. 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)	2.84	1.42
Earnings used in calculating basic earnings per share	13,502	6,776
Weighted average number of ordinary shares used in calculating basic earnings per share.	476,160	476,160

Notes to the financial statements (continued)

17. 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 $
Bank overdraft (Note 11)	(39,839)	(41,294)
As per the Statement of Cash Flow	**(39,839)**	**(41,294)**

(b) Reconciliation of cash flow from operations with profit after income tax

	2017 $	2016 $
Profit after income tax	13,502	6,776
Non-cash flows in profit		
- Depreciation	7,221	7,275
- Amortisation	13,844	13,845
- Loans forgiven	-	(20,000)
- Write back of accrued expenses	(13,844)	-
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(865)	1,786
- (increase) / decrease in prepayments and other assets	1	13
- (Increase) / decrease in deferred tax asset	5,120	26,828
- Increase / (decrease) in trade and other payables	2,468	1,967
- Increase / (decrease) in provisions	46,339	(547)
Net cash flows from / (used in) operating activities	**73,786**	**37,943**

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft of $100,000 (2016: $100,000) and commercial bill facility of up to $400,000 (2016: $400,000). At 30 June 2017, $39,839 of the overdraft facility, and $377,000 of the commercial bill facility, was utilised. Variable interest rates apply to these overdraft and bill facilities. Refer to note 11(a) for further information.

18. 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.

(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

No Director fees have been paid as the positions are held on a voluntary basis. Other than detailed below, no key management personnel or related party has entered into any contracts with the company.

Notes to the financial statements (continued)

18. Key management personnel and related party disclosures (continued)

(c) Transactions with key management personnel and related parties (continued)

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 provided	Value $
Wayne D Caldow	Rent of Premises	2,753
Sara McDonnell (Vision & Voice)	Sponsorship payments	550

The Edenhope & District 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.

(d) Key management personnel shareholdings

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

	2017	2016
Wayne D Caldow	1,101	1,101
Kathryn E Hausler	1,000	1,000
Sara McDonnell	-	-
Luke S Munro	3,001	3,001
Ashley R Caldow (resigned 23 November 2016)	3,001	3,001
Francis Carberry	-	-
Ritchie R Middleton	2,000	2,000
Rae Stone	-	-
Vlada Gajic (resigned 23 November 2016)	-	-
Anthony Lees	-	-
Sarah Ellis (appointed 23 November 2016)	-	-
	10,103	**10,103**

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

(e) Other key management transactions

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

19. Events after the reporting period

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

Notes to the financial statements (continued)

20. Contingent liabilities and contingent assets

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

21. 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 Edenhope, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2016: 100%).

22. Commitments

Operating lease commitments

There were no operating leases contracted for at the date of this report.

Finance lease commitments

Finance lease liabilities are payable exclusive of GST as follows:

	2017 $	2016 $
Payable:		
- no later than 12 months	5,055	6,066
- between 12 months and five years	-	5,054
- greater than five years	-	-
Minimum lease payments	**5,055**	**11,120**
Less future interest charges	(224)	(801)
Finance lease liability	**4,831**	**10,319**

The finance lease relates to the leases of a vehicle under normal commercial finance lease terms and conditions repayable over 5 years, ending in 2018.

23. Company details

The registered office and principal place of business is 63 Elizabeth Street, Edenhope, Victoria.

Notes to the financial statements (continued)

24. 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 an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

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:

	Note	2017 $	2016 $
Financial assets			
Trade and other receivables	5	30,385	29,520
Total financial assets		**30,385**	**29,520**
Financial liabilities			
Trade and other payables	10	29,328	26,860
Borrowings	11	381,831	440,319
Bank overdraft	11	39,839	41,294
Total financial liabilities		**450,998**	**508,473**

(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.

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.

24. 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.

In addition the company has established an overdraft facility of $100,000 with Bendigo and Adelaide Bank Limited. The undrawn amount of this facility is $60,161 (2016: $58,716) .

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. The Bank overdraft facility is subject to annual review, may be drawn at any time, and may be terminated by the bank without notice. Therefore the balance of the overdraft facility outstanding at year end could become repayable within 12 months.

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:

	Interest Rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2017					
Financial assets					
Trade and other receivables		30,385	30,385	-	-
Total anticipated inflows		30,385	30,385	-	-
Financial liabilities					
Trade and other payables		29,328	29,328	-	-
Borrowings*	-%	421,670	44,670	377,000	-
Bank overdraft *	-%	39,839	39,839	-	-
Total expected outflows		490,837	113,837	377,000	-
Net inflow / (outflow) on financial instruments		**(460,452)**	**(83,452)**	**(377,000)**	**-**
30 June 2016					
Financial assets					
Trade and other receivables		29,520	29,520	-	-
Total anticipated inflows		29,520	29,520	-	-
Financial liabilities					
Trade and other payables		26,860	26,860	-	-
Borrowings *	4.24%	481,613	67,360	414,253	-
Bank overdraft *	4.25%	41,294	41,294	-	-
Total expected outflows		549,767	135,514	414,253	-
Net inflow / (outflow) on financial instruments		**(520,247)**	**(105,994)**	**(414,253)**	**-**

* The bank overdraft has no set repayment period and as such all has been included as current. The loans and overdraft also became interest free in 2016/17.

24. 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.

The financial instruments that primarily expose the company to interest rate risk are borrowings.

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 expense)	(4,217)	(4,217)
	(4,217)	**(4,217)**
Year ended 30 June 2016		
+/- 1% in interest rates (interest expense)	(4,816)	(4,816)
	(4,816)	**(4,816)**

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.

(d) 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.

24. Financial risk management (continued)

(d) Fair values (continued)

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair Value
	$	$	$	$
Financial assets				
Trade and other receivables (i)	30,385	30,385	29,520	29,520
Total financial assets	**30,385**	**30,385**	**29,520**	**29,520**
Financial liabilities				
Trade and other payables (i)	29,328	29,328	26,860	26,860
Borrowings	381,831	381,831	440,319	440,319
Bank overdraft	39,839	39,839	41,294	41,294
Total financial liabilities	**450,998**	**450,998**	**508,473**	**508,473**

(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 Edenhope & District Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 36 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.

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

Sara McDonnell

Sara McDonnell
Director

Signed at Edenhope on 29 September 2017.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF EDENHOPE & DISTRICT FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Edenhope & District 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 Edenhope & District 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.

Material Uncertainty Related to Going Concern

We draw attention to note 1(a) to the financial statements which highlights a material uncertainty regarding the going concern basis of accounting. The company has a net asset deficiency of $211,424 during the year ended 30 June 2017, and a working capital deficiency of $100,510. Furthermore, included within the net asset of the entity is $233,697 of deferred taxes in relation to carried forward tax losses, which can only be utilised against future taxable profits. These conditions, along with other matters further detailed in note 1(a), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our audit report is not modified in respect of this matter.

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

Independence

We are independent of the entity 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.

Director's Responsibility 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

Our responsibility is to express an opinion on the financial report based on our audit. 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 Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the 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.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. 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.

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 our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. On connection with our audit of the financial report, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, 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.

RSD AUDIT
Chartered Accountants

P. P. Delahunty
Partner
Bendigo
Dated: 29 September 2017

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