



Annual Report 2017

Elwood Community Financial
Services Limited

ABN 38 087 802 775

Elwood **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2017

Dear Shareholders and members of Elwood Community Financial Services Limited,

This will be my last report to you as your Chairman.

I have decided that now is the right time to step down to allow Carole Mackie to take over. As you know Carole has been the Co-Chairperson for the last three years. She has a vast knowledge of accounting and corporate due diligence which will enable her to continue and lead the Elwood **Community Bank**[®] Branch.

I have stepped down for two reasons.

Firstly, is that it has been 19 years since we first voted to establish a Bendigo Bank **Community Bank**[®] company for Elwood and I feel that I have achieved all the things that I set out to do in this time. This has been with the support of my fellow Directors and loyal staff. We have achieved a lot in this period making your Bank a leader of our community. The most significant achievement in my mind has been the purchase of the freehold of the **Community Bank**[®] branch which ensures one way or another that this will enable the branch, even with future changes, to always be a major part of the Elwood community. To give you an example we recently renovated the upstairs for use as offices. It has now been rented and the income will subsidise the cost of the branch operation allowing it to adapt to the future and to continue to grow the Elwood community.

Secondly, and more importantly is that we need to regrow our Board with new Directors with skills that will enable the Elwood **Community Bank**[®] Branch to change and adapt to the new banking market. So what better time for change to allow this to happen and to continue to grow the Elwood **Community Bank**[®] Branch.

In closing I would like to thank you all for your help and support you have shown over the last 19 years.

I shall remain a Director of your Board and look forward to the new team to start building our Bank for the future.



Alastair Chisholm
Chairman

Manager's report

For year ending 30 June 2017

The Elwood **Community Bank**[®] Branch is still a very important business to Elwood and the broader community.

This is also shown by the support that is given to many local groups and organisations in the Elwood area by way of sponsorship and community grants funded. We endeavour to form a partnership with these groups with continued engagement that will strengthen the group, assist the community and importantly continue to build the branch.

This has seen the establishment of a referral agent program that encourages groups to refer business opportunities to us which could see more funds being available to that group in return.

The Elwood **Community Bank**[®] Branch have experienced total growth again for the year ending 30 June 2017 with the total footings or assets around the \$117 million mark.

The year has again seen many changes to banking and we have experienced very strong competition in both the lending and deposit areas.

The way in which people now do their banking is still changing at a rapid pace and we need to still remain relevant to our customers and the Elwood community.

We are also embracing many new technologies that enhance the delivery of financial services to the area.

The Elwood **Community Bank**[®] Branch maintains a full banking service with a vast range of products and services. Other than the friendly staff you see on a day-to-day basis we also have a range investment, financial planning, business banking and insurance services. We are committed to increasing our presence in Elwood area and I would encourage you to discuss any of your banking needs with our great staff. We would also welcome the opportunity to discuss any banking needs for your family and friends at any time.

We have over 4,000 accounts with around 2,900 customers and in the past 12 months have continued to strengthen this relationship with customers and our presence within the local community.

We must also acknowledge our fantastic staff in Adriana Horska, Fifi Pandelis and Travis Bonner who are all committed to providing friendly, professional service as always. We are currently looking for a replacement for Sophie Anastasiou who has recently left us.

Finally, we must thank the Elwood **Community Bank**[®] Company Board and individual Directors for their continued support and focus towards having the **Community Bank**[®] branch as a successful part of the Elwood community.



Gary Scott
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 Elwood Community Financial Services Limited during or since the end of the financial year up to the date of this report:

Alastair Colin Chisholm

Position	Chairperson, Appointed 9 June 1999
Professional qualifications	NIL
Experience and expertise	Licensed Estate Agent

Elizabeth Jean Johnstone

Position	Director, Appointed 9 June 1999
Professional qualifications	BBUS HFPIA
Experience and expertise	Consultant, B Bus HFPIA

Carole Anne Mackie

Position	Director Appointed 25 May 2011
Professional qualifications	BBUS, Post Grad Finance
Experience and expertise	Accountant

Christopher Herbert Sargood

Position	Director Appointed 9 June 1999
Professional qualifications	BE Civil
Experience and expertise	IT Consultant

Alfred Joseph Camilleri

Position	Director Appointed 22 August 2002
Professional qualifications	Fellow of the NTAA
Experience and expertise	Public Accountant, Former President and Chairman of CBC St Kilda for 5 years, Treasurer of AIKI-KAI National AKIDO Assoc.

Andrew Mark Ashdown

Position	Director Appointed 21 February 2008
Professional qualifications	A Diploma Electrical Engineering
Experience and expertise	Business Manager & Consultant

Helen Elaine Shingler

Position	Director Appointed 9 March 2001, Resigned 29 August 2016
Professional qualifications	B.Ec, BA, Grad Dip Info Sc, Senior Assoc AIB
Experience and expertise	Consultant, Founding Director of Wear for Success

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' report (continued)

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings	
	A	B
Alastair Colin Chisholm	12	11
Elizabeth Jean Johnstone	12	9
Carole Anne Mackie	12	9
Christopher Herbert Sargood	12	9
Alfred Joseph Camilleri	12	9
Andrew Mark Ashdown	12	9
Helen Elaine Shingler	2	1

A - The number of meetings eligible to attend.

B - The number of meetings attended.

Company Secretary

Anchalee Chitpoonphon has been the Company Secretary of Elwood Community Financial Services Limited since May 2016.

Anchalee's qualifications and experience include Master of Accounting, Master of International Business, CPA, Registered Tax Agent, Accountant and Practice Manager, Assistant to Principal in all matters.

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 \$85,369 (2016 profit: \$73,058), which is a 16.85% 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 15 cents per share was declared and paid during the year for the year ended 30 June 2017.

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 7 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, in accordance with advice from the , 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 Elwood on 29 September 2017.



Mr Alastair Chisholm
Director

Auditor's independence declaration




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Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Elwood 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: 27th September 2017



RSD Audit Pty Ltd
ABN 85 619 186 908
Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

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

	Notes	2017 \$	2016 \$
Revenue	2	762,447	755,602
Expenses			
Employee benefits expense	3	(349,404)	(355,696)
Depreciation and amortisation	3	(37,517)	(36,247)
Finance costs	3	(39,366)	(45,793)
Administration and general costs		(45,451)	(43,560)
Occupancy expenses		(35,282)	(29,356)
IT expenses		(45,985)	(48,361)
Other expenses		(53,335)	(50,767)
		(606,340)	(609,780)
Operating profit before charitable donations and sponsorships		156,107	145,822
Charitable donations and sponsorships		(37,923)	(45,930)
Profit before income tax		118,184	99,892
Income tax expense	4	(32,815)	26,834
Profit for the year		85,369	73,058
Other comprehensive income		-	-
Total comprehensive income for the year		85,369	73,058
Profit attributable to members of the company		85,369	73,058
Total comprehensive income attributable to members of the company		85,369	73,058
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	18	33.66	28.80

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

Financial statements (continued)

Statement of Financial Position as at 30 June 2017

	Notes	2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	5	49,067	45,313
Trade and other receivables	6	72,976	65,520
Total current assets		122,043	110,833
Non-current assets			
Property, plant and equipment	9	2,295,719	2,247,893
Intangible assets	10	50,389	56,497
Financial assets	7	17,763	17,763
Other assets	8	4,428	5,039
Deferred tax assets	4	1,017	-
Total non-current assets		2,369,316	2,327,192
Total assets		2,491,359	2,438,025
Liabilities			
Current liabilities			
Trade and other payables	11	43,235	38,469
Current tax liability	4	14,921	13,302
Provisions	14	36,650	38,165
Total current liabilities		94,806	89,936
Non-current liabilities			
Borrowings	13	890,000	-
Provisions	14	3,209	1,151
Deferred tax liability	4	-	915
Total non-current liabilities		893,209	2,066
Total liabilities		988,015	92,002
Net assets		1,503,344	2,346,023
Equity			
Issued capital	15	253,650	253,650
Retained earnings	16	1,249,694	1,202,373
Total equity		1,503,344	1,456,023

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 \$	Retained earnings \$	Total equity \$
Balance at 1 July 2015		253,650	1,167,363	1,421,013
Profit for the year		-	73,058	73,058
Total comprehensive income for the year		-	73,058	73,058
Transactions with owners, in their capacity as owners				
Dividends paid or provided	17	-	(38,048)	(38,048)
Balance at 30 June 2016		253,650	1,202,373	1,456,023
Balance at 1 July 2016		253,650	1,202,373	1,456,023
Profit for the year		-	85,369	85,369
Total comprehensive income for the year		-	85,369	85,369
Transactions with owners, in their capacity as owners				
Dividends paid or provided	17	-	(38,048)	(38,048)
Balance at 30 June 2017		253,650	1,249,694	1,503,344

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

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		814,091	788,183
Payments to suppliers and employees		(636,414)	(663,633)
Dividends & rent received		15,855	43,802
Interest paid		(39,366)	(45,792)
Income tax paid		(33,129)	(7,251)
Net cash provided by operating activities	19b	121,037	115,309
Cash flows from investing activities			
Purchase of property, plant and equipment		(79,235)	(60,017)
Net cash flows used in investing activities		(79,235)	(60,017)
Cash flows from financing activities			
Repayment of borrowings		-	(110,000)
Dividends paid		(38,048)	(38,048)
Net cash used in financing activities		(38,048)	(148,048)
Net increase / (decrease) in cash held		3,754	(92,756)
Cash and cash equivalents at beginning of financial year		45,313	138,069
Cash and cash equivalents at end of financial year	19a	49,067	45,313

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 Elwood Community Financial Services Limited.

Elwood 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 29 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, where 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 Elwood.

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**[®] 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**[®] 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.

Notes to the financial statements (continued)

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:

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.

Fair value assessment of non-current physical assets

The AASB 13 Fair Value standard requires fair value assessments that may involve 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(f) Critical accounting estimates and judgements (continued)

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 out on the proceeding pages.

- (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.

Notes to the financial statements (continued)

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.

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.

Notes to the financial statements (continued)

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)

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.

Dividend and other income

Dividend and 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	747,381	714,313
	747,381	714,313
Other revenue		
- other revenue	15,066	41,289
	15,066	41,289
Total revenue	762,447	755,602

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.

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.

Notes to the financial statements (continued)

Note 3. Expenses (continued)

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised leased assets, but excluding freehold land, 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
Buildings	2.0-20%	SL
Plant and equipment	2.5-20%	SL

SL = Straight line depreciation

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.

	2017	2016
	\$	\$
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	273,822	272,352
- superannuation costs	51,872	71,471
- other costs	23,710	11,873
	349,404	355,696
Depreciation and amortisation		
Depreciation		
- plant and equipment	25,576	25,215
- buildings	5,833	4,924
	31,409	30,139
Amortisation		
- franchise fees	6,108	6,108
	6,108	6,108
Total depreciation and amortisation	37,517	36,247
Finance costs		
- Interest paid	39,366	45,793
Auditors' remuneration		
Remuneration of the Auditor, Richmond, Sinnott & Delahunty, for:		
- Audit or review of the financial report	4,900	4,500
- Share registry services	2,514	3,161
	7,414	7,661

Notes to the financial statements (continued)

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 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	34,748	25,919
Deferred tax expense	(1,933)	4,255
Recoupment of prior year tax losses	-	(3,340)
	32,815	26,834
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%)	32,501	28,469
Add tax effect of:		
- Non-deductible expenses	314	(1,635)
Income tax attributable to the entity	32,815	26,834
The applicable weighted average effective tax rate is :	27.77%	26.86%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	13,302	(5,366)
Income tax paid	(33,129)	(7,251)
Current tax	34,748	25,919
	14,921	13,302

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 4. Income tax (continued)		
d. Deferred tax asset / (liability)		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Prepayments	574	965
Accruals	908	880
Employee provisions	10,961	10,812
	12,443	12,657
Deferred tax liabilities balance comprises:		
Property, plant & equipment	11,426	13,572
	11,426	13,572
Net deferred tax asset / (liability)	1,017	(915)
e. Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	213	5,493
(Decrease) / increase in deferred tax liabilities	(2,146)	(1,238)
	(1,933)	4,255

Note 5. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, on other short-term highly liquid investments with original maturities of three months or less.

	2017 \$	2016 \$
Cash at bank and on hand	45,068	41,977
Short-term bank deposits	3,999	3,336
	49,067	45,313

The effective interest rate on short-term bank deposits was 2.28% (2016: 2.61%); 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.

Notes to the financial statements (continued)

	2017 \$	2016 \$
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Note 6. Trade and other receivables (continued)

Current

Trade receivables	72,343	64,315
Other receivables	633	1,205
	72,976	65,520

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	72,343	-	-	-	-	72,343
Other receivables	633	-	-	-	-	633
Total	72,976	-	-	-	-	72,976
2016						
Trade receivables	64,315	-	-	-	-	64,315
Other receivables	1,205	-	-	-	-	1,205
Total	65,520	-	-	-	-	65,520

Note 7. Financial assets

Classification of financial assets

The company classifies its financial assets in the following categories:

- 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.

Notes to the financial statements (continued)

Note 7. Financial assets (continued)

Classification of financial assets (continued)

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.

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 and held-to-maturity investments 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.

Available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised in other comprehensive income

Notes to the financial statements (continued)

Note 7. Financial assets (continued)

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.

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.

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 \$
Available for sale financial assets		
Listed investments	17,763	17,763
	17,763	17,763

Notes to the financial statements (continued)

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
	\$	\$
Other Receivables	4,428	5,039
	4,428	5,039

Note 9. Property, plant and equipment

Property

Freehold land and buildings are carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of land and buildings 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 land and buildings is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from 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.

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.

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 9. Property, plant and equipment (continued)		
Land		
At cost	1,889,549	1,889,549
Buildings		
At cost	338,119	259,761
Less accumulated depreciation	(15,392)	(9,559)
	322,727	250,202
Furniture and Fittings		
At cost	223,000	223,000
Less accumulated depreciation	(151,903)	(129,295)
	71,097	93,705
Plant and equipment		
At cost	39,512	38,635
Less accumulated depreciation	(27,166)	(24,198)
	12,346	14,437
Total property, plant and equipment	2,295,719	2,247,893
Movements in carrying amounts		
Land		
Balance at the beginning of the reporting period	1,889,549	1,889,549
Balance at the end of the reporting period	1,889,549	1,889,549
Buildings		
Balance at the beginning of the reporting period	250,202	195,107
Additions	78,358	60,019
Depreciation expense	(5,833)	(4,924)
Balance at the end of the reporting period	322,727	250,202
Furniture and Fittings		
Balance at the beginning of the reporting period	93,705	116,314
Depreciation expense	(22,608)	(22,609)
Balance at the end of the reporting period	71,097	93,705
Plant and equipment		
Balance at the beginning of the reporting period	14,437	17,044
Additions	877	-
Depreciation expense	(2,968)	(2,607)
Balance at the end of the reporting period	12,346	14,437

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 9. Property, plant and equipment (continued)		
Total property, plant and equipment		
Balance at the beginning of the reporting period	2,247,893	2,218,014
Additions	79,235	60,019
Depreciation expense	(31,409)	(30,140)
Balance at the end of the reporting period	2,295,719	2,247,893

Note 10. Intangible assets

Franchise fees 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	68,713	68,713
Less accumulated amortisation	(18,324)	(12,216)
Total intangible assets	50,389	56,497
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	56,497	62,605
Amortisation expense	(6,108)	(6,108)
Balance at the end of the reporting period	50,389	56,497

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	15,129	13,697
Other creditors and accruals	28,106	24,772
	43,235	38,469

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

Notes to the financial statements (continued)

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. Borrowings

Loans

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured 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.

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.

	2017 \$	2016 \$
Non-current		
Secured liabilities		
Bank loan	890,000	890,000
	890,000	890,000
Total borrowings	890,000	890,000

Bank loans

The company has a business flexi loan - being a 15 year term loan maturing in 2018. the loan is interest only until December 2018. The current interest rate is 4.420%. This loan has been created to fund the purchase of the building and is secured by a mortgage over the Ormond Road, Elwood property.

Note 14. 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.

Notes to the financial statements (continued)

Note 14. Provisions (continued)

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	36,650	38,165
Non-current		
Employee benefits	3,209	1,151
Total provisions	39,859	39,316

Note 15. 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
	\$	\$
253650 Ordinary shares fully paid	253,650	253,650
	253,650	253,650
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	253,650	253,650
Shares issued during the year	-	-
At the end of the reporting period	253,650	253,650

Notes to the financial statements (continued)

Note 15. Share capital (continued)

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 16. Retained earnings / Accumulated losses		
Balance at the beginning of the reporting period	1,202,373	1,167,363
Profit after income tax	85,369	73,058
Dividends paid	(38,048)	(38,048)
Balance at the end of the reporting period	1,249,694	1,202,373

Note 17. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year

Final fully franked ordinary dividend of 15 cents per share (2016:15 cents) franked at the tax rate of 27.5% (2016: 28.5%).	38,048	38,048
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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.

Notes to the financial statements (continued)

Note 18. 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 issued during the year.

	2017 \$	2016 \$
Basic earnings per share (cents)	33.66	28.80
Earnings used in calculating basic earnings per share	85,369	73,058
Weighted average number of ordinary shares used in calculating basic earnings per share.	253,650	253,650

Note 19. 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:

Cash and cash equivalents (Note 5)	49,067	45,313
As per the Statement of Cash Flow	49,067	45,313

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

Profit / (loss) after income tax	85,369	73,058
Non-cash flows in profit		
- Depreciation	31,409	30,139
- Amortisation	6,108	6,108
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(7,456)	8,435
- (increase) / decrease in prepayments and other assets	611	(5,039)
- (Increase) / decrease in deferred tax asset	(1,932)	915
- Increase / (decrease) in trade and other payables	4,766	(720)
- Increase / (decrease) in current tax liability	1,619	18,667
- Increase / (decrease) in provisions	543	(16,254)
Net cash flows from operating activities	121,037	115,309

(c) Credit standby arrangement and loan facilities

The company has a commercial loan facility amounting to \$1,200,000 (2016: \$1,200,000). At 30 June 2017, \$890,000 of this facility was used (2016: \$890,000). Variable interest rates apply to the facility.

Notes to the financial statements (continued)

Note 20. 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 \$
Alastair Chisholm	6,000	6,000
Total key management personnel compensation	6,000	6,000

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.

(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. No Director fees have been paid as the positions are held on a voluntary basis.

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 \$
Alfred Camilleri	Accounting services	10,064

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

The Elwood 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.

Notes to the financial statements (continued)

Note 20. Key management personnel and related party disclosures (continued)

(d) Key management personnel shareholdings

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

	2017	2016
Alastair Colin Chisholm	2,000	2,000
Elizabeth Jean Johnstone	1,000	1,000
Christopher Herbert Sargood	-	-
Alfred Joseph Camilleri	-	-
Andrew Mark Ashdown	500	500
Helen Elaine Shingler	5,000	5,000
	8,500	8,500

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.

Note 21. 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 22. Contingent liabilities and contingent assets

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

Note 23. 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 Elwood, 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 24. Commitments

The company does not have any operating or finance lease commitments.

Note 25. Company details

The registered office and principle place of business is 142 Ormond Road, Elwood VIC 3184.

Notes to the financial statements (continued)

Note 26. 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			
Cash and cash equivalents	5	49,067	45,313
Trade and other receivables	6	72,976	65,520
Financial assets	7	17,763	17,763
Other assets	8	4,428	5,039
Total financial assets		144,234	133,635
Financial liabilities			
Trade and other payables	11	43,235	38,469
Income tax payable	4	14,921	13,302
Borrowings	13	890,000	890,000
Total financial liabilities		948,156	941,771

(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.

Notes to the financial statements (continued)

Note 26. Financial risk management (continued)

(a) Credit risk (continued)

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.

(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 a commercial bill facility of \$1,200,000 with Bendigo and Adelaide Bank Limited. The undrawn amount of this facility is \$310,000 (2016: \$310,000) .

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:

	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
30 June 2017					
Financial assets					
Cash and cash equivalents	2%	49,067	49,067	-	-
Trade and other receivables	0%	72,976	72,976	-	-
Financial assets	5%	17,763	17,763	-	-
Other assets	0%	4,428		2,825	1,603
Total anticipated inflows		144,234	139,806	2,825	1,603
Financial liabilities					
Trade and other payables	0%	43,235	43,235	-	-
Borrowings	5%	-	-	890,000	-
Current tax payable	0%	14,921	14,921	-	-
Total expected outflows		58,156	58,156	890,000	-
Net inflow / (outflow) on financial instruments		86,078	81,650	(887,175)	1,603

Notes to the financial statements (continued)

Note 26. Financial risk management (continued)

(b) Liquidity risk (continued)

	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
30 June 2016					
Financial assets					
Cash and cash equivalents	2%	45,313	45,313	-	-
Trade and other receivables	0%	65,520	65,520	-	-
Financial assets	5%	17,763	17,763	-	-
Other assets	0%	5,039		3,054	1,985
Total anticipated inflows		133,635	128,596	3,054	1,985
Financial liabilities					
Trade and other payables	0%	38,469	38,469	-	-
Borrowings	5%	-		890,000	-
Current tax payable	0%	13,302	13,302		
Total expected outflows		51,771	51,771	890,000	-
Net inflow / (outflow) on financial instruments		81,864	76,825	(886,946)	1,985

(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, fixed interest securities, and cash and cash equivalents.

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.

Notes to the financial statements (continued)

Note 26. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

	Profit \$	Equity \$
Year ended 30 June 2017		
+/- 1% in interest rates (interest income)	491	491
+/- 1% in interest rates (interest expense)	(8,900)	(8,900)
	(8,409)	(8,409)
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	453	453
+/- 1% in interest rates (interest expense)	(8,900)	(8,900)
	(8,447)	(8,447)

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.

(e) 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.

	2017		2016	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair Value \$
Financial assets				
Cash and cash equivalents (i)	49,067	49,067	45,313	45,313
Trade and other receivables (i)	72,976	72,976	65,520	65,520
Financial assets	17,763	15,601	17,763	13,517
Other Assets	4,428	4,428	5,039	5,039
Total financial assets	144,234	142,072	133,635	129,389

Notes to the financial statements (continued)

Note 26. Financial risk management (continued)

(e) Fair values (continued)

Fair value estimation (continued)

	2017		2016	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair Value \$
Financial liabilities				
Trade and other payables (i)	43,235	43,235	38,469	38,469
Income tax payable	14,921	14,921	13,302	13,302
Borrowings	890,000	890,000	890,000	890,000
Total financial liabilities	948,156	948,156	941,771	941,771

(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 Elwood Community Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 8 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.



Alastair Chisholm
Director

Signed at Elwood on 29 September 2017.

Independent audit report



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

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Elwood 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 Elwood 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

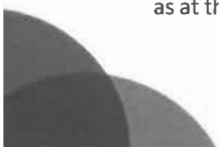
We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. 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 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.



Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 60 616 244 309

Liability limited by a scheme approved under Professional Standards Legislation



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.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

A handwritten signature in black ink, appearing to read 'P.P. Delahunty', written over a horizontal line.

P.P. Delahunty
Partner
Bendigo

Dated: 27th September 2017

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