annual report 2017

Freycinet Coast Financial Services Limited ABN 32 127 068 222

Chair's report

Dear Shareholders,

It is with pleasure I present the company's 10th annual report. The result for the 2016/17 financial year is a profit of $222,000 which is a wonderful achievement. It has taken almost 10 years to reach this milestone and is the result of the dedication of our Manager, Lyn Mansfield and our other staff as well as the tireless efforts of the Board since we opened for business. The Board appreciates the individual efforts of all staff who have contributed to the success of the business. It is a great result but the hard work continues. Last year we referred to the likely impact of changes to the profit sharing arrangements with Ben that applied from 1 July 2016. It is pleasing to note that the changes resulted in a modest increase in our income over what would have been achieved under the previous arrangements.

We have continued with our agency arrangements in Triabunna. These are constantly under review to ensure we can offer a reasonable level of banking services to that community. Agencies do not offer the full range of services that a branch does but the costs of both establishing and operating a branch or similar are very significant and are generally funded by a capital raising in that community. Our present considerations are to assess whether that is a viable option for Triabunna.

Throughout the year we have continued to support our communities and have provided sponsorship of $30,236 to a variety of organisations. Since we commenced operating we have distributed over $200,000 within our communities. We continue to work with East Coast Regional Tourism Organisation (ECRTO) to improve economic outcomes in our region. For the fourth time we were the major sponsor for the awards night held by ECRTO.

We have also continued with our bursary program to assist year 10 students at Triabunna and St Marys High Schools to transition from high school to further their education.

The cornerstone of the **Community Bank®** model is the sharing of profits generated from the **Community Bank®** company's operations with the community either by way of dividends to shareholders or grants to assist with community projects.

As a result of the profit earned in the year we have been able to commence a grants program and the first round of grants will be completed by the end of this year.

Following the modest profit earned in the prior financial year we were able to pay our first dividend during the year. A small reward for the very patient shareholders. At our October Board meeting we will consider a dividend proposal for the current year.

During the year we have appointed three additional Directors to the Board, John O'Hara, Nick Johnston and Chris Manson. They have all made a valuable contribution.

I am deeply indebted to my fellow Directors for their continued support and contribution. They all have a strong community focus and appreciate the benefits that **Community Bank®** branches provide.

I also acknowledge the contribution of our Company Secretary, Elizabeth Hutchinson who has continued to provide invaluable support to the Board.

We have an excellent relationship with Ben and continue to receive strong support from Tasmanian Management Personnel.

Ken Dean

CHAIRMAN

Branch Manager's report

Great news for our shareholders this year to finally receive a return on your Investment. We have never doubted that we would get there, but for all concerned it has taken a little longer than we had hoped.

Business growth for the last 12 months has been fairly static. New business is continuing but now that we have been operating for over nine years we have customers paying out their loans and also paying down their debt. To remain in our current position is good but we never stop looking for new business and continuing growth.

We all have to be aware of the work our volunteer Board Directors of Freycinet Coast Financial Services Limited do. The Marketing Committee this year are restructuring our sponsorships, grants and donations. This has come around by us reaching profit and needing to build our business further by way of the above initiatives. Recipients of funds are always grateful and we now want to work these groups and their members to gain more new customers and in the long-term new business.

Staff movement over the last 12 months has seen Kristen return from maternity leave. We have appointed Megan Wynne as a new staff member working currently at Bicheno **Community Bank®** branch. Megan brings a wealth of experience in that she has spent the last 10 years working for NAB and CBA in WA. We welcome Megan to our team. Rachael will leave in August 2017 for maternity leave.

Our staff are constantly upskilling and Bendigo Training is ongoing. We have been focussing over the last months and until November 2017 on an Insurance promotion in conjunction with CGU. We always welcome our shareholders to visit us – and are happy to review your continuing banking needs.

Over the last 12 months, the Regional Office staff has seen the retirement of Rob Hanley and Russ Carrick who is returning to Melbourne, leading in to his retirement.

Robert Herbert has been appointed as our new Regional Manager. Stewart Nankervis has been promoted to the role of Regional Community Manager (Tas). We congratulate both Robert and Stewart on their appointments.

Stewart has been working consistently with our Board and we are looking at ways to build our business in the Triabunna area. Thank you to Glamorgan Spring Bay Council and staff at our Triabunna agency for their support.

Our Business Bankers continue to give our branch network support when required.

We are all looking forward to a positive start to our new financial year. Both branches have seen a good increase in loan applications and new business gained.

To our shareholders, thank you for the continued support. There is always more that we can do for you whether it be your Personal or Business Banking, Insurance or a referral to our Wealth Advisor – it all adds to our bottom line.

Finally to Bendigo Bank and their partners, we appreciate having them being our backbone. The **Community Bank®** concept is unique and we are all proud to be a part of this.

Lyn Mansfield

BRANCH MANAGER

Swansea Bicheno **Community Bank®** Branch

Bendigo and Adelaide Bank Ltd report

For year ended 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

Freycinet Coast Financial Services Limited
ABN 32 127 068 222
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 Freycinet Coast Financial Services Limited during or since the end of the financial year up to the date of this report:

Ken Dean	Chairperson
Background	Chartered Accountant
Experience and expertise	Special responsibilities: Member of the Audit Committee

Bruce Dunbabin	Director
Background	Primary producer
Experience and expertise	Special responsibilities: Deputy chairperson

Kyle Duffield	Director - Resigned 28 August 2017
Background	Tourism Operator
Experience and expertise	Other Directorships: Director East Coast Regional Tourism Organisation. Member of the Marketing Committee

Neil Edwards	Director
Background	Quarry operator and owner
Experience and expertise	Special responsibilities: Reviewing strategy for business growth in the Triabunna/Orford area.

John Fletcher	Director
Background	Retired Finance Executive. Bachelor Business Accounting
Experience and expertise	Special responsibilities: Treasurer and Member of the Audit Committee. Director of May Shaw Nursing Home Swansea.

Nick Johnston	Director - Appointed 22 August 2016
Background	Tourism Operator
Experience and expertise	Special responsibilities: nil

Jenny Logie	Director
Background	Bachelor of Business, Graduate Diploma in Public Policy
Experience and expertise	Special responsibilities: Member of the Audit Committee and Marketing Committee

Chris Manson	Director - Appointed 22 August 2016
Background	BA Law (LLB) BA Science
Experience and expertise	Special responsibilities: Nil

John O'Hara	Director - Appointed 22 August 2016
Background	Bachelor of Arts, Bachelor of Arts (Honours), Diploma of Tertiary Education, Doctor of Philosophy. Retired Professor of History and publisher
Experience and expertise	Special responsibilities: Member of the Marketing Committee

Adele Plunkett	Director
Background	Diploma in Real Estate Business
Experience and expertise	Special responsibilities: Member of the Marketing Committee

Directors (continued)

Greg Raspin	Director
Background	Retail owner/operator
Experience and expertise	Other directorships: Tas Independent Retailers.

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings		
Director	**A**	**B**	**C**
Ken Dean	12	8	4
Bruce Dunbabin	12	9	1
Kyle Duffield	12	6	3
Neil Edwards	12	9	
John Fletcher	12	10	2
Nick Johnston *	11	8	
Jenny Logie	12	10	1
Chris Manson *	11	10	
John O'Hara *	11	10	1
Adele Plunkett	12	8	
Greg Raspin	12	8	

* Appointed 22 August 2016
A - The number of meetings eligible to attend.
B - The number of meetings attended.
C - Leave of Absence granted

Company Secretary

Elizabeth Hutchinson has been the Company Secretary of Freycinet Coast Financial Services Limited since 2010.

Elizabeth has a wide range of secretarial and administration experience.

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 $228,220 (2016: $89,896), which is a 154% increase as compared with the previous year. The increase in profit is a result of an increased level of business at both branches.

Dividends

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

An unfranked final dividend of 5 cents per share was declared and paid during the year, for the year ended 30 June 2016. No dividend has been declared or paid for the year ended 30 June 2017 to date .

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

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

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

Proceedings on behalf of company

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

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set at page 6 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Freycinet Coast Financial Services Limited
ABN 32 127 068 222
Directors' report

Non-audit services

The Board of Directors, in accordance with advice from the Audit Committee, 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 Swansea on 13 September 2017.

Ken Dean
Director

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

Ph: (03) 5445 4200
admin@rsdaudit.com.au
www.rsdaudit.com.au

Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the Directors of Freycinet Coast Financial Services Limited.

I declare that to the best of my knowledge and belief, during the year ended 30 June 2017 there have 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.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Phil Delahunty
Partner
Bendigo
Dated: 13th September 2017

Freycinet Coast Financial Services Limited
ABN 32 127 068 222
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2017

	Note	2017 $	2016 $
Revenue	2	852,012	706,735
Expenses			
Employee benefits expense	3	(305,752)	(298,337)
Depreciation and amortisation	3	(46,666)	(46,768)
Finance costs	3	(592)	(903)
Bad and doubtful debts expense	3	(212)	(291)
Administration and general costs		(137,089)	(141,783)
Occupancy expenses		(69,403)	(64,301)
IT expenses		(33,341)	(34,616)
		(593,055)	(586,999)
Operating profit before charitable donations and sponsorships		**258,957**	**119,736**
Charitable donations and sponsorships		(30,737)	(29,840)
Profit before income tax		**228,220**	**89,896**
Income tax expense	4	-	-
Profit for the year		**228,220**	**89,896**
Other comprehensive income		-	-
Total comprehensive income for the year		**228,220**	**89,896**
Profit attributable to members of the company		228,220	89,896
Total comprehensive income attributable to members of the company		**228,220**	**89,896**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	17	19.48	7.67

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

Freycinet Coast Financial Services Limited
ABN 32 127 068 222
Statement of FInancial Position
as at 30 June 2017

	Note	2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents	5	97,089	111,553
Trade and other receivables	6	74,269	75,782
Financial assets	7	410,461	173,991
Total current assets		**581,819**	**361,326**
Non-current assets			
Property, plant and equipment	8	54,126	86,945
Intangible assets	9	9,920	23,767
Total non-current assets		**64,046**	**110,712**
Total assets		**645,865**	**472,038**
Liabilities			
Current liabilities			
Trade and other payables	10	47,451	43,092
Borrowings	12	6,215	6,394
Provisions	13	41,990	35,766
Total current liabilities		**95,656**	**85,252**
Non-current liabilities			
Borrowings	12	-	6,216
Total non-current liabilities		**-**	**6,216**
Total liabilities		**95,656**	**91,468**
Net assets		**550,209**	**380,570**
Equity			
Issued capital	14	1,153,788	1,153,788
Accumulated losses	15	(603,579)	(773,218)
Total equity		**550,209**	**380,570**

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

Freycinet Coast Financial Services Limited
ABN 32 127 068 222
Statement of Changes in Equity
for the year ended 30 June 2017

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2015		1,153,788	(863,114)	290,674
Profit for the year		-	89,896	89,896
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**89,896**	**89,896**
Transactions with owners in their capacity as owners				
Dividends paid or provided	16	-	-	-
Balance at 30 June 2016		**1,153,788**	**(773,218)**	**380,570**
Balance at 1 July 2016		**1,153,788**	**(773,218)**	**380,570**
Profit for the year		-	228,220	228,220
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**228,220**	**228,220**
Transactions with owners in their capacity as owners				
Dividends paid or provided	16	-	(58,581)	(58,581)
Balance at 30 June 2017		**1,153,788**	**(603,579)**	**550,209**

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

Freycinet Coast Financial Services Limited
ABN 32 127 068 222
Statement of Cash Flows
for the year ended 30 June 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		931,761	757,891
Payments to suppliers and employees		(652,281)	(634,750)
Interest paid		(592)	(903)
Interest received		6,374	3,709
Net cash provided by operating activities	18	**285,262**	**125,947**
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(4,151)
Purchase of investments		(236,374)	(49,729)
Net cash flows used in investing activities		**(236,374)**	**(53,880)**
Cash flows from financing activities			
Repayment of borrowings		(6,396)	(6,013)
Dividends paid		(56,956)	-
Net cash used in financing activities		**(63,352)**	**(6,013)**
Net increase / (decrease) in cash held		**(14,464)**	**66,054**
Cash and cash equivalents at beginning of financial year		111,553	45,499
Cash and cash equivalents at end of financial year	18	**97,089**	**111,553**

These financial statements and notes represent those of Freycinet Coast Financial Services Limited.

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

The financial statements were authorised for issue by the Directors on 13 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®** branches at Bicheno and Swansea.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank”, the logo, and systems of operation of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** 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.

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.

(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.

1. Summary of significant accounting policies (continued)

(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.

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:

(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.

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.

(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)

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.

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.

2. Revenue

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

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

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

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

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

	2017 $	2016 $
Revenue		
- service commissions	845,542	703,025
	845,542	703,025
Other revenue		
- interest received	6,470	3,710
	6,470	3,710
Total revenue	**852,012**	**706,735**

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

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

Class of asset	*Rate*	*Method*
Leasehold improvements	10%	SL
Plant and equipment	10-20%	SL

SL = Straight line depreciation

3. Expenses (continued)

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

	2017	2016
	$	$
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	265,698	261,200
- superannuation costs	24,549	22,445
- other costs	15,505	14,692
	305,752	298,337
Depreciation and amortisation		
Depreciation		
- plant and equipment	19,595	19,703
- leasehold improvements	13,224	13,221
	32,819	32,924
Amortisation		
- franchise fees	13,847	13,844
Total depreciation and amortisation	46,666	46,768
Finance costs		
- Interest paid	592	903
Bad and doubtful debts expenses	212	291
Auditors' remuneration		
Remuneration of the Auditor, Richmond, Sinnott & Delahunty, for:		
- Audit or review of the financial report	6,250	3,950
- Taxation services	600	-
- Share registry services	3,336	1,250
	10,186	5,200

Freycinet Coast Financial Services Limited
ABN 32 127 068 222
Notes to the Financial Statements
for the year ended 30 June 2017

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	62,761	25,620
Recoupment of prior year tax losses	(62,761)	(25,620)
	-	-
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%)	62,761	25,620
Less tax effect of:		
- Utilisation of previously unrecognised carried forward tax losses	(62,761)	(25,620)
Income tax attributable to the entity	-	-
The applicable weighted average effective tax rate is:	0.00%	0.00%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	-	-
Income tax paid	-	-
Current tax	62,761	25,620
Recoupment of prior year tax losses	(62,761)	(25,620)
	-	-
Total carried forward tax losses not recognised as deferred tax assets:	120,325	189,427

This benefit will only be realised when sufficient profits are made and providing there are no changes to Income Tax Legislation regarding carry forward tax losses.

5. Cash and cash equivalents

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

	2017 $	2016 $
Cash at bank and on hand	97,089	111,553
	97,089	**111,553**

6. Trade and other receivables

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

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

	2017 $	2016 $
Current		
Trade receivables	74,269	75,782
	74,269	**75,782**

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.

6. Trade and other receivables (continued)

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	74,269	74,269	-	-	-	-
Total	**74,269**	**74,269**	**-**	**-**	**-**	**-**
2016						
Trade receivables	75,782	75,782	-	-	-	-
Total	**75,782**	**75,782**	**-**	**-**	**-**	**-**

7. Financial assets

Classification of financial assets

The company classifies its financial assets in the following categories:

- loans and receivables, and
- held to maturity investments.

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

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.

7. Financial assets (continued)

Measurement of financial assets

At initial recognition, the group measures a financial asset at its fair value plustransaction 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.

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 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.

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.

7. Financial assets (continued)

	2017 $	2016 $
Held to maturity financial assets		
Term deposits	410,461	173,991
	410,461	**173,991**

The effective interest rate on term deposits was 2.33% (2016: 2.6%).
These deposits have an average maturity of 260 days.

8. 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	132,222	132,222
Less accumulated depreciation	(118,951)	(105,727)
	13,271	26,495
Plant and equipment		
At cost	237,041	237,041
Less accumulated depreciation	(196,186)	(176,591)
	40,855	60,450
Total plant and equipment	**54,126**	**86,945**

Movements in carrying amounts

	2017 $	2016 $
Leasehold improvements		
Balance at the beginning of the reporting period	26,495	39,716
Depreciation expense	(13,224)	(13,221)
Balance at the end of the reporting period	13,271	26,495

8. Plant and equipment (continued)

	2017	2016
	$	$
Plant and equipment		
Balance at the beginning of the reporting period	60,450	76,002
Additions	-	4,151
Depreciation expense	(19,595)	(19,703)
Balance at the end of the reporting period	40,855	60,450
Total plant and equipment		
Balance at the beginning of the reporting period	86,945	115,718
Additions	-	4,151
Depreciation expense	(32,819)	(32,924)
Balance at the end of the reporting period	**54,126**	**86,945**

9. 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	69,221	69,221
Less accumulated amortisation	(59,301)	(45,454)
Total intangible assets	**9,920**	**23,767**

Movements in carrying amounts

	2017	2016
Franchise fee		
Balance at the beginning of the reporting period	23,767	37,611
Amortisation expense	(13,847)	(13,844)
Balance at the end of the reporting period	**9,920**	**23,767**

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	11,070	11,293
Other creditors and accruals	34,756	31,799
Dividend payable	1,625	-
	47,451	**43,092**

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

11. 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.

12. Borrowings

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.

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.

12. Borrowings (continued)

	2017 $	2016 $
Current		
Secured liabilities		
Finance leases	6,215	6,394
Non Current		
Secured liabilities		
Finance leases	-	6,216
Total borrowings	6,215	12,610

(a) Lease liabilities

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

13. Provisions

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

	2017 $	2016 $
Current		
Employee benefits	41,990	35,766
Total provisions	41,990	35,766

14. Share capital

Ordinary shares are classified as equity.

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

	2017 $	2016 $
1,171,615 Ordinary shares fully paid	1,171,615	1,171,615
Less: Equity raising costs	(17,827)	(17,827)
	1,153,788	1,153,788
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	1,171,615	1,171,615
Shares issued during the year	-	-
At the end of the reporting period	1,171,615	1,171,615

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.

15. Accumulated losses

	2017	2016
	$	$
Balance at the beginning of the reporting period	(773,218)	(863,114)
Profit after income tax	228,220	89,896
Dividends paid	(58,581)	-
Balance at the end of the reporting period	**(603,579)**	**(773,218)**

16. Dividends paid or provided for on ordinary shares

	2017	2016
	$	$
Dividends paid or provided for during the year		
Final fully unfranked ordinary dividend of 5 cents per share (2016: Nil).	58,581	-

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.

17. Earnings per share

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

	2017	2016
	$	$
Basic earnings per share (cents)	19.48	7.67
Earnings used in calculating basic earnings per share	228,220	89,896
Weighted average number of ordinary shares used in calculating basic earnings per share.	1,171,615	1,171,615

18. Statement of cash flows

	2017 $	2016 $
(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)	97,089	111,553
As per the Statement of Cash Flow	**97,089**	**111,553**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit after income tax	228,220	89,896
Non-cash flows in profit		
- Depreciation	32,819	32,924
- Amortisation	13,847	13,844
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	1,418	(14,398)
- Increase / (decrease) in trade and other payables	2,734	2,391
- Increase / (decrease) in provisions	6,224	1,290
Net cash flows from operating activities	**285,262**	**125,947**

19. Key management personnel and related party disclosures

(a) Key management personnel

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

No remuneration was paid to any of the key management personnel as the positions are held on a voluntary basis.

(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 key management personnel or related party of key management personnel has entered into any contracts with the company.

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

(d) Key management personnel shareholdings

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

Directors	2017	2016
Ken Dean	3,501	3,501
Bruce Dunbabin	7,000	7,000
Kyle Duffield	-	-
Neil Edwards	-	-
John Fletcher	-	-
Nick Johnston	-	-
Jenny Logie	20,001	20,001
Chris Manson	-	-
John O'Hara	-	-
Adele Plunkett	3,000	3,000
Greg Raspin	6,000	6,000
	39,502	**39,502**

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.

20. Events after the reporting period

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

21. Contingent liabilities and contingent assets

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

22. Operating segments

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

23. Company details

The registered office and principal place of business is Shop 3/64 Burgess St. Bicheno 7215.

24. Commitments

Operating lease commitments

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

	2017 $	2016 $
Payable:		
- no later than 12 months	48,120	59,998
- between 12 months and five years	117,840	44,998
- greater than five years	22,028	-
Minimum lease payments	**187,988**	**104,996**

Three property leases cover the branches located at Swansea and Bicheno, which have terms of between 3 and 6 years, with annual CPI increases and rent payable in advance.

Finance lease commitments

Finance lease liabilities are payable exclusive of GST as follows:

	$	$
Payable:		
- no later than 12 months	6,406	6,986
- between 12 months and five years	-	6,986
- greater than five years	-	-
Minimum lease payments	**6,406**	**13,972**
Less future interest charges	(191)	(1,362)
Finance lease liability	**6,215**	**12,610**

The lease is for the Company owned motor vehicle repayable over 5 years.

25. Financial risk management

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board.

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	97,089	111,553
Trade and other receivables	6	74,269	75,782
Financial assets	7	410,461	173,991
Total financial assets		**581,819**	**361,326**
Financial liabilities			
Trade and other payables	10	47,451	43,092
Borrowings	12	6,215	12,610
Total financial liabilities		**53,666**	**55,702**

(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.

25. 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.

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

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

Financial liability and financial asset maturity analysis:

30 June 2017	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	-%	97,089	97,089	-	-
Trade and other receivables		74,269	74,269	-	-
Financial assets	2.30%	410,461	410,461	-	-
Total anticipated inflows		581,819	581,819	-	-
Financial liabilities					
Trade and other payables		47,451	47,451	-	-
Borrowings	6.1%	6,215	-	-	-
Total expected outflows		53,666	47,451	-	-
Net inflow / (outflow) on financial instruments		**528,153**	**534,368**	**-**	**-**

25. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	-%	111,553	111,553	-	-
Trade and other receivables		75,782	75,782	-	-
Financial assets	2.6%	173,991	173,991	-	-
Total anticipated inflows		361,326	361,326	-	-
Financial liabilities					
Trade and other payables		43,092	43,092	-	-
Borrowings	6.1%	12,610	6,394	6,216	-
Total expected outflows		55,702	49,486	6,216	-
Net inflow / (outflow) on financial instruments		**305,624**	**311,840**	**(6,216)**	**-**

(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 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.

Year ended 30 June 2017	Profit $	Equity $
+/- 1% in interest rates (interest income)	5,076	5,076
+/- 1% in interest rates (interest expense)	(62)	(62)
	5,013	**5,013**

25. Financial risk management (continued)

(c) Market risk (continued)

Year ended 30 June 2016

+/- 1% in interest rates (interest income)	2,855	2,855
+/- 1% in interest rates (interest expense)	(126)	(126)
	2,855	2,855

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

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

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

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

	2017		2016	
	Carrying amount $	Fair value $	Carrying amount $	Fair Value $
Financial assets				
Cash and cash equivalents (i)	97,089	97,089	111,553	111,553
Trade and other receivables (i)	74,269	74,269	75,782	75,782
Financial assets	410,461	410,461	173,991	173,991
Total financial assets	**581,819**	**581,819**	**361,326**	**361,326**
Financial liabilities				
Trade and other payables (i)	47,451	47,451	43,092	43,092
Borrowings	6,215	6,215	12,610	12,610
Total financial liabilities	**53,666**	**53,666**	**55,702**	**55,702**

(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.

Freycinet Coast Financial Services Limited
ABN 32 127 068 222
Directors' Declaration

In accordance with a resolution of the Directors of Freycinet Coast Financial Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 34 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.

Ken Dean
Director

Signed at Swansea on 13 September 2017.

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

Ph: (03) 5445 4200
admin@rsdaudit.com.au
www.rsdaudit.com.au

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FREYCINET COAST FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Freycinet Coast 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 Freycinet Coast 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.

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

Phil Delahunty
Partner
Bendigo
Dated: 13th September 2017

Swansea and Bicheno
Community Bank® branches of Bendigo Bank

Swansea **Community Bank®** Branch
Shop 1/1 Victoria Street, Swansea TAS 7190
Phone: (03) 6257 8825
Fax: (03) 6257 8994

Bicheno **Community Bank®** Branch
Shop 1/64 Burgess Street, Bicheno TAS 7215
Phone: (03) 6375 1772
Fax: (03) 6375 1788

Triabunna **Community Bank®** Agency
GSB Council Chambers
9 Melbourne Street, Triabunna TAS 7190
Phone: (03) 6256 4732

Franchisee: Freycinet Coast Financial Services Limited
PO Box 125, Bicheno TAS 7215
Phone: (03) 6375 1681 Fax: (03) 6375 1683
ABN 32 127 068 222