Annual Report 2017

Maffra & District Community Financial Services Limited

ABN 14 600 481 178

Maffra & District **Community Bank**® Branch

Contents

Chairman's report	**2**
Manager's report	**4**
Bendigo and Adelaide Bank report	**5**
Directors' report	**6**
Auditor's independence declaration	**11**
Financial statements	**12**
Notes to the financial statements	**16**
Directors' declaration	**39**
Independent audit report	**40**

Chairman's report

For year ending 30 June 2017

On behalf of Maffra & District Community Financial Services Limited, I am pleased to present our third Annual Report, albeit year (2015) one only being one month in total since inception of the branch.

The results this year have been reasonably pleasing, being well in front of budget given the difficult environment in which financial institutions are still working, and the particularly challenging market issues our area has been facing during this past year. The changing circumstances confronting the ASH Sawmill in Heyfield, the changes affecting Murray Goulburn state-wide and locally and not excluding the closure of Hazelwood Power station just down the road in the Latrobe Valley.

As all of our shareholders and clients would be aware, we are operating in an environment of extremely low interest rates, the lowest of all time, with the official cash rate still holding at 1.5%. Our bank's profitability is driven by margin, the margin being the difference between the cost of funds and the interest rate revenues received. Whilst low interest rates are attractive for our borrowing customers, they certainly present our **Community Bank**® branch with unique challenges.

You would be excused for thinking that a low interest rate environment would lead to an increase in lending, with borrowers taking advantage of the low cost of funds. Ironically, banks in Australia, including us, are experiencing unprecedented levels of loan pay downs with borrowers taking the opportunity to increase the equity they hold in their asset portfolios. Obviously for us to continue to grow each loan pay down needs to be replaced with new borrowings, a situation that has been difficult to maintain in our own current market environment.

Similarly, low interest rates on deposits cause investors to seek potentially better returns from the market, and they are doing this by researching and sometimes moving to higher yield investments such as managed funds or the Australian and/or International share markets. These low interest rate levels do impact on our ability to increase revenue and profitability.

Despite the obvious headwinds being faced by our **Community Bank**® branch in current times I report the following:

- Well in front of our projected budget result to the tune of approximately 40% after non cash entries of Depreciation and Amortisation.
- $22,000 paid to the community (see list at the end of this report) over the year.
- Involved in a further $5,000 raised for the Tee up four Kids fundraiser.
- A further $12,000 committed to the community for this year already.
- Completion of a pilot program of resource sharing with Heyfield, albeit not to continue at this stage due to each branch having its own unique challenges locally.
- Another fruitful year in working with our major partner in banking, that is the Bendigo and Adelaide Bank and especially their regional representatives that assist us daily.
- The successful implementation of a new revenue sharing model, which has proven to be somewhat difficult to initially comprehend and just as difficult to implement. The transition to the new Funds transfer pricing model is now complete and certainly appears to be in the favour of our business model.

During the year we saw some staff changes and I would like to take this opportunity to sincerely thank our inaugural Branch Manager, Kellie Read, for the excellent job she did in 'kicking' our **Community Bank**® branch off on its journey into **Community Bank**® branch and also Joh Gaw and Meg Knobel for their contribution to our continuing growth in the region. All ladies have chosen to pursue further goals in their personal lives.

In line with these departures I would like to welcome Renee Vidler, our Manager, and Sam Rowley to the team, and would like to thank all staff for the relentless pursuit of excellence in client service and company growth. We have an excellent team within our branch, and they continue to strive and achieve exactly as we need them to.

Chairman's report (continued)

I am also thankful for the efforts of your Board who continue to perform their governance duties with the utmost care and diligence, all Directors having completed further Director training over the year at the expense of their own time. It is a privilege to be counted amongst their number and you, as shareholders, can rest assured that your interests are at the forefront of their deliberations and decisions.

The Board recognises that the next 12 months again appear to present challenging trading conditions. We believe that the budgets we have set over the journey have been conservative, realistic and achievable and the Board and the branch team are fully committed to achieving our goals, especially the opportunity to pay our first dividend within an acceptable and achievable amount of time, good governance, economic circumstances and good business growth allowing.

Neil Armistead
Chairman

Sponsorship recipient list for 2016/17

Maffra Ag Society	Maffra Football Netball Club
Maffra Croquet Club	Maffra Basketball Association
Stratford Football & Netball Club	Maffra RSL
Maffra Secondary College	St Marys Primary School
Maffra Neighbourhood House	Glassford Street Kindergarten
Maffra Tourism & Business Association	Maffra Primary School

Manager’s report

For year ending 30 June 2017

It is with pleasure that I submit my first Manager’s report for the Maffra & District **Community Bank**® Branch. I joined the Maffra team on 3 October 2016 as Branch Manager, having managed the Morwell branch for the past four and a half years.

My commencement saw some trial changes within the region, notably the joint venture of both Maffra and Heyfield partnering in employing myself as Manager of not one but two branches. This was trialled for a period of six months however it concluded at the end of the financial year with the decision being made that it was not feasible at this time with each Board and branch having its own unique challenges to manage.

The Maffra & District **Community Bank**® Branch has seen some exciting opportunities arise throughout the 2016/17 financial year to assist the local community with support in the form of donations, funding and fundraising. Our most notable to date was the Tee-Up For Kids fundraiser held at the Maffra Golf Club which saw a grand total of $5,000 raised by the Gippsland branches and injected back into the region.

In total, the Maffra & District **Community Bank**® Branch are proud to say they have been involved in contributing approximately $30,000 to the community within the 2016/17 financial year. We are even prouder to say that we have built and fostered some fantastic relationships with the local schools, sporting organisations and community groups within this timeframe too, ensuring the Maffra & District **Community Bank**® Branch are represented at all community events.

Whilst our team works hard to raise funds for our chosen charities, none of it would be possible without the support of the local community and our very valued customers. I’ve enjoyed getting to know so many new faces over the past nine months and truly value the relationships you get to build within a smaller community such as Maffra and district. Thank you one and all for welcoming me so warmly into your town.

Whilst being an extremely rewarding year community wise, it has also been a challenging year in relation to profit margin for the branch. The announcement of the impending closure of the ASH Sawmill in Heyfield and the potential closure of Murray Goulbourn in Maffra have both affected the community’s confidence for borrowing and our restrictions for lending. Instead we saw customers taking advantage of the low interest rates to reduce debt, which saw our lending and our deposits decrease marginally.

Whilst we had a net business on the books reduction for the financial year, we are already seeing consumer confidence again rise within the community and will endeavour to leverage on the partnerships and relationships we have built this year and develop new relationships to ensure this reduction is reversed in the 2017/18 financial year.

The 2016/17 financial year saw a few changes within the branch with us saying goodbye to Meg Knobel, Kellie Read and Joh Gaw, and welcoming Sam Rowley (and myself of course). We have developed a close knit, supportive team over the past 12 months and I thank each and every staff member, incoming, outgoing and long standing for their efforts within the branch and within the community.

I would also like to take this opportunity to thank the Board of Directors for their time, patience, support and dedication.

Renee Vidler
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2017

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

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

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

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

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

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

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

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

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

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

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

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

Robert Musgrove
Executive Engagement Innovation

Directors' report

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 Maffra & District Community Financial Services Limited during or since the end of the financial year up to the date of this report:

Neil Raymond Armistead

Position	Chairperson
Professional qualifications	CFP, Dip FP, FChFP (AFA)community.
Experience and expertise	Certified Financial Planner, Stockbroker, CFP, Dip FP, FChFP (AFA) with 21 years experience & 30 years in local business community. Ex-Committee member Maffra Community Sports Club. Ex-committee member Maffra Football Netball Club.

Ryan James Crawford

Position	Secretary
Professional qualifications	Lawyer- LL.B (Hons) B.Com. GDLP - Member of the Law Institute of Victoria
Experience and expertise	Ryan's qualifications and experience include Practicing Australian Legal Practitioner since January 2012 at a local law firm in Maffra. Involved with/member of Maffra Bowls Club, Maffra Hockey Club, Maffra Squash and Racquetball Club, Gippsland Vehicle Collection and Maffra Community Sports Club.

Robert William Christie

Position	Deputy Chairperson
Professional qualifications	Bachelor of Arts, Diploma of Education
Experience and expertise	Former Primary School Principal. Involved in Briagolong Lions Club, 5 Star Project Sale, Briagolong Tourism Association, Wellington Regional Tourism and Briagolong - Halls Creek Indigenous Trust.

Tomas Justin Pritchett

Position	Treasurer
Professional qualifications	N/A
Experience and expertise	Accountant with local Accounting firm, 14 years' experience in a public accounting practice. Treasurer Stradroke Cricket Club for last 6 years.

Kylie Maree Hadden

Position	Director
Professional qualifications	Advanced Diploma Hospitality Studies
Experience and expertise	Owner operator of a local Jewellers (2000- present). Maffra Playgroup (secretary) 3yrs. Glassford Kindergarten (President). Maffra Primary School P&F (Treasurer) 6yrs and Maffra Primary School Mardi Gras Committee (Treasurer). Associated with Maffra Basketball, Maffra Angling Club, Maffra Secondary College & Sale United Football Club (soccer).

Directors (continued)

Neil Joseph Gannon

Position	Director
Professional qualifications	AICD & Qualified as diesel mechanic.
Experience and expertise	Owner Manager of irrigation dairy farm. Past Board member of Gippsland and Southern Rural Water Corporation and Gippsland Herd Improvement. Current East Gippsland representative of Victorian Farmers Federation Water Resources Committee and Secretary of Tinamba Public Hall Inc.

Helen Ann Montague

Position	Director
Professional qualifications	Registered Division 1 Nurse, Advanced Diploma of Public Safety-Emergency Management
Experience and expertise	Involved in Vice Chair Stretton Park Board of Management, Secretary of Wellington Shire Heritage Network, Chair of Boisdale-Briagolong Red Cross Branch, Secretary/Treasurer Boisdale & District Progress Association, Secretary Boisdale & District History Group, Secretary of Boisdale Stables Committee, Boisdale Public Hall, Valencia Soldier's Memorial Hall, Maffra State Emergency Service, Warde St George Anglican Church Boisdale & St John's Anglican Church Maffra.

Brett Christopher Millington
(Resigned 6 December 2016)

Position	Director
Professional qualifications	Bachelor of Science (Honours), Graduate Diploma of Business Administration & Graduate Australian Institute of Company Directors.
Experience and expertise	Executive Manager Corporate Services with a regional water corporation. Experience/Skills: Human Resource Management, Risk, Management, Governance, IT Governance, Communications and Marketing. Past President of the Maffra Football Netball Club. Past Vice President of Maffra Cricket Club. Past Secretary of Maffra Community Sports Club.

Eric Geoffrey Crawford
(Resigned 4 October 2016)

Position	Director
Professional qualifications	Diploma Of Education
Experience and expertise	15 years as co-principal of a local Agribusiness. 40 years Maffra Lions Club, past President & current Secretary. 10 years Maffra Football Club Committee, past Secretary and Treasurer. Foundation member Maffra & District Car Club 1966 - current. Maffra Community Sports Club Secretary (6 years). Member Maffra Bowls Club.

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:

Director	Board meetings		Marketing Committee meetings	
	A	B	A	B
Neil Raymond Armistead	12	9	N/A	N/A
Ryan James Crawford	12	12	N/A	N/A
Robert William Christie	12	9	N/A	N/A
Tomas Justin Pritchett	12	11	N/A	N/A
Kylie Maree Hadden	12	11	3	3
Neil Joseph Gannon	12	10	3	3
Helen Ann Montague	12	11	3	3
Brett Christopher Millington	6	5	N/A	N/A
Eric Geoffrey Crawford	4	2	3	1

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

Company Secretary

Brett Millington has been the Company Secretary of Maffra & District Financial Services Limited since January 2015 and resigned December 2016.

Brett's qualifications and experience include Bachelor of Science (Honours), Graduate Diploma of Business Administration & Graduate Australian Institute of Company Directors. Human Resource Management, Risk, Management, Governance, IT Governance, Communications and Marketing. Past President of the Maffra Football Netball Club. Past Vice President of Maffra Cricket Club. Past Secretary of Maffra Community Sports Club.

Ryan Crawford has been the Company Secretary of Maffra & District Financial Services Limited since December 2016.

Ryan's qualifications and experience include Practicing Australian Legal Practitioner since January 2012 at a local law firm in Maffra. Lawyer- LL.B (Hons) B.Com. GDLP - Member of the Law Institute of Victoria. Involved with/member of Maffra Bowls Club, Maffra Hockey Club, Maffra Squash and Racquetball Club, Gippsland Vehicle Collection and Maffra Community Sports Club.

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 loss of the company for the financial year after provision for income tax was $48,436 (2016 loss: $82,866), which is a 41% decrease as compared with the previous year.

Directors' report (continued)

Dividends

No dividends were declared or paid for the previous year and the Directors recommend that no dividend be paid for the current year.

Options

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

Significant changes in the state of affairs

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

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 11 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 Board, 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 Maffra on 13 October 2017.

Neil Armistead
Director

Auditor's independence declaration

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 Maffra & District 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.

RSD Audit
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 13 October 2017

Financial statements

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

	Notes	2017 $	2016 $
Revenue	2	514,390	411,534
Expenses			
Employee benefits expense	3	(319,459)	(276,180)
Depreciation and amortisation	3	(38,208)	(37,780)
Administration and general costs		(85,665)	(86,784)
Occupancy expenses		(37,922)	(33,053)
IT expenses		(21,460)	(19,372)
Agent Commission		(47,660)	(52,689)
		(550,374)	**(505,858)**
Operating Loss before charitable donations and sponsorships		**(35,984)**	**(94,324)**
Charitable donations and sponsorships		(22,223)	(14,947)
Loss before income tax		**(58,207)**	**(109,271)**
Income tax benefit	4	9,771	26,405
Loss for the year		**(48,436)**	**(82,866)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(48,436)**	**(82,866)**
Loss attributable to members of the company		(48,436)	(82,866)
Total comprehensive income attributable to members of the company		**(48,436)**	**(82,866)**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	16	(5.52)	(9.45)

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

Statement of Financial Position as at 30 June 2017

	Notes	2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents	5	135,136	212,451
Trade and other receivables	6	51,442	37,366
Financial assets	7	40,404	-
Other assets	8	13,445	15,421
Total current assets		**240,427**	**265,238**
Non-current assets			
Plant and equipment	9	201,533	217,741
Intangible assets	10	212,786	234,786
Deferred tax assets	4	61,021	51,264
Total non-current assets		**475,340**	**503,791**
Total assets		**715,767**	**769,029**
Liabilities			
Current liabilities			
Trade and other payables	11	51,096	53,834
Provisions	13	5,724	5,846
Total current liabilities		**56,820**	**59,680**
Non-current liabilities			
Deferred tax liability	4	187	201
Provisions	13	503	476
Total non-current liabilities		**690**	**677**
Total liabilities		**57,510**	**60,357**
Net assets		**658,257**	**708,672**
Equity			
Issued capital	14	848,030	850,009
Accumulated losses	15	(189,773)	(141,337)
Total equity		**658,257**	**708,672**

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

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

	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2015	850,009	(58,471)	791,538
Loss for the year	-	(82,866)	(82,866)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	**-**	**(82,866)**	**(82,866)**
Balance at 30 June 2016	**850,009**	**(141,337)**	**708,672**
Balance at 1 July 2016	850,009	(141,337)	708,672
Loss for the year	-	(48,436)	(48,436)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	**-**	**(48,436)**	**(48,436)**
Transactions with owners, in their capacity as owners			
Cost of issuing shares	(1,979)	-	(1,979)
Balance at 30 June 2017	**848,030**	**(189,773)**	**658,257**

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

Statement of Cash Flows
for the year ended 30 June 2017

	Notes	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		531,064	433,461
Payments to suppliers and employees		(569,801)	(490,495)
Interest received		3,805	4,659
Net cash used in operating activities	**17b**	**(34,932)**	**(52,375)**
Cash flows from investing activities			
Purchase of plant and equipment		-	(4,813)
Purchase of investments		(40,404)	-
Net cash flows used in investing activities		**(40,404)**	**(4,813)**
Cash flows from financing activities			
Payment of share issue costs		(1,979)	-
Net cash used in financing activities		**(1,979)**	**-**
Net decrease in cash held		(77,315)	(57,188)
Cash and cash equivalents at beginning of financial year		212,451	269,639
Cash and cash equivalents at end of financial year	**17a**	**135,136**	**212,451**

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 Maffra & District Community Financial Services Limited.

Maffra & District 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 13 October 2017.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

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

<u>Economic dependency</u>

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

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.

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.

Note 1. Summary of significant accounting policies (continued)

(b) Impairment of assets

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

(c) Goods and services tax (GST)

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

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

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

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

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

(e) Comparative figures

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

(f) Critical accounting estimates and judgements

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

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

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

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

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

<u>Employee benefits provision</u>

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

Note 1. Summary of significant accounting policies (continued)

(f) Critical accounting estimates and judgements (continued)

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.

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.

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.

Interest and other income

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

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	496,280	406,775
	496,280	**406,775**
Other revenue		
- interest received	3,805	4,634
- other revenue	14,305	125
	18,110	**4,759**
Total revenue	**514,390**	**411,534**

Note 3. Expenses

Operating expenses

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

Note 3. Expenses (continued)

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**
Plant and equipment	2.5 - 40%	SL
Leasehold improvements	2.5 - 15%	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. 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	281,772	246,393
- superannuation costs	23,831	21,625
- other costs	13,856	8,162
	319,459	**276,180**
Depreciation and amortisation		
Depreciation		
- plant and equipment	3,647	3,126
- leasehold improvements	12,561	12,594
	16,208	**15,720**
Amortisation		
- franchise fees	2,000	2,005
- establishment costs	20,000	20,055
	22,000	**22,060**
Total depreciation and amortisation	**38,208**	**37,780**

Notes to the financial statements (continued)

	2017 $	2016 $
Note 3. Expenses (continued)		
Auditors' remuneration		
Remuneration of the Auditor, Richmond, Sinnott & Delahunty (2016: AFS & Associates), for:		
- Audit or review of the financial report	4,750	4,100
- Taxation services	-	360
- Share registry services	-	1,800
	4,750	**6,260**

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 benefit comprise:		
Current tax expense benefit	(9,771)	(25,759)
Deferred tax expense	-	(646)
	(9,771)	**(26,405)**
b. Prima facie tax payable		
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on loss before income tax at 27.5% (2016: 28.5%)	(16,007)	(31,142)
Add tax effect of:		
- other deductible expenses	(1,605)	(1,550)
- Timing differences	1,791	646
- Non-deductible expenses	6,050	6,287
Income tax attributable to the entity	**(9,771)**	**(25,759)**
The applicable weighted average effective tax rate is:	-16.79%	-24.16%

	2017 $	2016 $

Note 4. Income tax (continued)

c. Deferred tax asset

	2017 $	2016 $
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Accruals	2,105	2,259
Employee provisions	3,044	1,802
Unused tax losses	55,872	47,203
	61,021	**51,264**
Deferred tax liabilities balance comprises:		
Accrued income	187	201
	187	**201**
Net deferred tax asset	**60,834**	**51,063**
d. Deferred income tax included in income tax comprises:		
Decrease / (increase) in deferred tax assets	(9,757)	(26,399)
(Decrease) / increase in deferred tax liabilities	(14)	(6)
	(9,771)	**(26,405)**

Note 5. Cash and cash equivalents

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

	2017 $	2016 $
Cash at bank and on hand	30,980	31,714
Short-term bank deposits	104,156	180,737
	135,136	**212,451**

The effective interest rate on short-term bank deposits was 2.05% (2016: 2.45%); these deposits have an average maturity of 90 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.

Note 6. Trade and other receivables (continued)

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 ther eis 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	51,442	37,366
	51,442	**37,366**

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	51,442	51,442	-	-	-	-
Total	**51,442**	**51,442**	**-**	**-**	**-**	**-**
2016						
Trade receivables	22,120	22,120	-	-	-	-
Total	**22,120**	**22,120**	**-**	**-**	**-**	**-**

Note 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.

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.

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 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 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.

Note 7. Financial assets (continued)

Impairment of financial assets (continued)

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.

	2017 $	2016 $
Held to maturity financial assets		
Term deposits	40,404	-
	40,404	**-**

Note 8. Other assets

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

	2017 $	2016 $
Prepayments	12,765	14,717
Other	680	704
	13,445	**15,421**

Note 9. Plant and equipment

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.

Note 9. Plant and equipment (continued)

Plant and equipment (continued)

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	199,442	199,442
Less accumulated depreciation	(26,325)	(13,764)
	173,117	**185,678**
Plant and equipment		
At cost	35,478	35,478
Less accumulated depreciation	(7,062)	(3,415)
	28,416	**32,063**
Total plant and equipment	**201,533**	**217,741**
Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the reporting period	185,678	198,272
Depreciation expense	(12,561)	(12,594)
Balance at the end of the reporting period	**173,117**	**185,678**
Plant and equipment		
Balance at the beginning of the reporting period	32,063	30,376
Additions	-	4,813
Depreciation expense	(3,647)	(3,126)
Balance at the end of the reporting period	**28,416**	**32,063**

	2017 $	2016 $

Note 9. Plant and equipment (continued)

	2017 $	2016 $
Total plant and equipment		
Balance at the beginning of the reporting period	217,741	228,648
Additions	-	4,813
Depreciation expense	(16,208)	(15,720)
Balance at the end of the reporting period	**201,533**	**217,741**

Note 10. Intangible assets

Franchise fees and establishment costs 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.

Goodwill relates to the amount paid for the purchase of business from an unrelated agency. Goodwill is tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows, and determines a suitable interest rate in order to calculate the present value of those cash flows.

	2017 $	2016 $
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(4,191)	(2,191)
	5,809	**7,809**
Preliminary expenses		
At cost	100,000	100,000
Less accumulated amortisation	(41,918)	(21,918)
	58,082	**78,082**
Goodwill on purchase of agency		
At cost	148,895	148,895
	148,895	**148,895**
Total intangible assets	**212,786**	**234,786**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	7,809	9,814
Amortisation expense	(2,000)	(2,005)
Balance at the end of the reporting period	**5,809**	**7,809**

	2017 $	2016 $

Note 10. Intangible assets (continued)

	2017 $	2016 $
Preliminary expenses		
Balance at the beginning of the reporting period	78,082	98,137
Amortisation expense	(20,000)	(20,055)
Balance at the end of the reporting period	**58,082**	**78,082**
Goodwill on purchase of agency		
Balance at the beginning of the reporting period	148,895	148,895
Balance at the end of the reporting period	**148,895**	**148,895**
Total intangible assets		
Balance at the beginning of the reporting period	234,786	256,846
Amortisation expense	(22,000)	(22,060)
Balance at the end of the reporting period	**212,786**	**234,786**

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	21,536	15,702
Other creditors and accruals	29,560	38,132
	51,096	**53,834**

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

Note 12. Financial liabilities

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

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

Note 12. Financial liabilities (continued)

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.

Note 13. Provisions

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

	2017 **$**	**2016** **$**
Current		
Employee benefits	5,724	5,846
Non-current		
Employee benefits	503	476
Total provisions	**6,227**	**6,322**

Note 14. Share capital

Ordinary shares are classified as equity.

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

	2017 $	2016 $
Note 14. Share capital (continued)		
877,210 Ordinary shares fully paid	877,210	877,210
Less: Equity raising costs	(29,180)	(27,201)
	848,030	**850,009**

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

Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

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

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

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

	2017 $	2016 $
Note 15. Accumulated losses		
Balance at the beginning of the reporting period	(141,337)	(58,471)
Loss after income tax	(48,436)	(82,866)
Balance at the end of the reporting period	**(189,773)**	**(141,337)**

Note 16. Earnings per share

Basic earnings per share

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

	2017 $	2016 $
Basic earnings per share (cents)	(5.52)	(9.45)
Earnings used in calculating basic earnings per share	(48,436)	(82,866)
Weighted average number of ordinary shares used in calculating basic earnings per share.	877,210	877,210

Note 17. Statement of cash flows

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

Cash and cash equivalents (Note 5)	135,136	212,451
As per the Statement of Cash Flow	**135,136**	**212,451**
(b) Reconciliation of cash flow from operations with profit after income tax		
Loss after income tax	(48,436)	(82,866)
Non-cash flows in profit		
- Depreciation	16,208	15,720
- Amortisation	22,000	22,060
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(14,076)	31,209
- (increase) / decrease in prepayments and other assets	1,976	2,074
- (Increase) / decrease in deferred tax asset	(9,771)	(26,405)
- Increase / (decrease) in trade and other payables	(2,738)	(15,526)
- Increase / (decrease) in provisions	(95)	1,359
Net cash flows used in operating activities	**(34,932)**	**(52,375)**

Note 18. Key management personnel and related party disclosures

(a) Key management personnel

No Director of the company receives remuneration for services as a company Director or committee member.

(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.

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

(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 $
Neil Armistead Rockvale Investments P/L	Premises rental	26,208

(d) Key management personnel shareholdings

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

	2017	2016
Neil Raymond Armistead	5,001	5,001
Ryan James Crawford	5,001	5,001
Robert William Christie	5,000	5,000
Tomas Justin Pritchett	3,001	3,001
Kylie Maree Hadden	5,001	5,001
Neil Joseph Gannon	2,001	2,001
Helen Ann Montague	5,000	5,000
Brett Christopher Millinton (resigned 6 December 2016)	2,001	2,001
Eric Geoffrey Crewford (resigned 4 October 2016)	21,501	21,501
	53,507	**53,507**

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 19. Events after the reporting period

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

Note 20. Contingent liabilities and contingent assets

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

Note 21. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one area being Maffra, 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 22. 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	26,250	26,250
- between 12 months and five years	48,125	74,375
Minimum lease payments	**74,375**	**100,625**

The property lease is a non-cancellable lease with a five-year term expiring on the 18th May 2020 and has the option to continue for two further terms of five years, with rent payable monthly in advance.

Note 23. Company details

The registered office and principle place of business is 146 Johnson Street, Maffra Victoria 3860.

Note 24. Financial risk management

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

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 $

Note 24. Financial risk management (continued)

Specific financial risk exposure and management (continued)

	Note	2017 $	2016 $
Financial assets			
Cash and cash equivalents	5	135,136	212,451
Trade and other receivables	6	51,442	37,366
Financial assets	7	40,404	-
Total financial assets		**226,982**	**249,817**
Financial liabilities			
Trade and other payables	11	51,096	53,834
Total financial liabilities		**51,096**	**53,834**

(a) Credit risk

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

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

Credit risk exposures

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

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

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

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

(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.

Note 24. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis:

30 June 2017	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1.59%	135,136	135,136	-	-
Trade and other receivables	-%	51,442	51,442	-	-
Financial assets	2.25%	40,404	40,404	-	-
Total anticipated inflows		**226,982**	**226,982**	**-**	**-**
Financial liabilities					
Trade and other payables	-%	51,096	51,096	-	-
Total expected outflows		**51,096**	**51,096**	**-**	**-**
Net inflow on financial instruments		**175,886**	**175,886**	**-**	**-**

30 June 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1.9%	212,451	212,451	-	-
Trade and other receivables	-%	37,366	37,366	-	-
Financial assets	-%	-	-	-	-
Total anticipated inflows		**249,817**	**249,817**	**-**	**-**
Financial liabilities					
Trade and other payables	-%	53,834	53,834	-	-
Total expected outflows		**53,834**	**53,834**	**-**	**-**
Net inflow / (outflow) on financial instruments		**195,983**	**195,983**	**-**	**-**

(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 fixed interest securities, and cash and cash equivalents.

Note 24. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

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

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

	Profit $	Equity $
Year ended 30 June 2017		
+/- 1% in interest rates (interest income)	1,755	1,755
	1,755	**1,755**
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	2,125	2,125
	2,125	**2,125**

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)	135,136	135,136	212,451	212,451
Trade and other receivables (i)	51,442	51,442	37,366	37,366
Financial assets	40,404	40,404	-	-
Total financial assets	**226,982**	**226,982**	**249,817**	**249,817**

Note 24. Financial risk management (continued)

(d) Price risk (continued)

Fair values (continued)

	2017		2016	
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair Value $**
Financial liabilities				
Trade and other payables (i)	51,096	51,096	53,834	53,834
Total financial liabilities	**51,096**	**51,096**	**53,834**	**53,834**

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

1. The financial statements and notes, as set out on pages 12 to 38 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.

Neil Armistead
Director

Signed at Maffra on 13 October 2017.

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 MAFFRA & DISTRICT COMMUNITY FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

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

Director's Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001,* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

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

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

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

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

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

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

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Other Information

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

RSD AUDIT
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 13 October 2017

Maffra & District **Community Bank**® Branch
146 Johnson Street, Maffra VIC 3860
Phone: (03) 5141 1999 Fax: (03) 5141 1005

Franchisee: Maffra & District Community Financial Services Limited
3 Pearson Street, Maffra VIC 3860
Phone: (03) 5141 1999 Fax: (03) 5141 1005
ABN: 14 600 481 178

www.bendigobank.com.au/maffra
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