



# Annual Report 2017

Meander Valley Financial  
Services Limited

ABN 27 111 858 078

Deloraine & Districts **Community Bank®** Branch

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# Chair's report

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For year ending 30 June 2017

This year has presented our community with many difficulties and challenges, chief among which has been the flood in June 2016 which created great hardship and personal losses for many and considerable damage to infrastructure and the natural environment throughout the Meander Valley area and surrounding districts. The livelihoods of many of our residents have been severely impacted and it will take some time to recover these losses. Our community is no stranger to hardship however, and its resilience and ability to come together to support those affected has been an inspiration to all of us. We are fortunate to be part of a community of such great heart and strength.

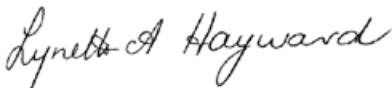
In response to the flood, an appeal across the **Community Bank**<sup>®</sup> network was established and Boards around Australia contributed a total of \$50,000 to assist those affected in the Meander Valley, Kentish and Latrobe Local Government areas. The monies raised were donated to and administered by the Salvation Army on our behalf. We thank those Boards who so generously donated to this appeal.

Our **Community Bank**<sup>®</sup> branch is an integral part of the community and continues to support local initiatives, aspirations and facilities by engaging with community organisations, clubs, schools and businesses for joint projects, as well as grants, sponsorships and donations. This year support has included a grant to the Pony Club to assist in replacing some of the equipment lost in the flood which has enabled the club to continue to operate. Grants and sponsorships have also assisted the establishment of the first Junior Beef Expo in Deloraine, our local Tennis Club, the Deloraine Craft Fair, Deloraine Classic Car Show, partnering with Deloraine Rotary to provide specialist hospital beds for the Hospital, and many other sponsorships for sports clubs, Arts projects and community groups.

A major initiative has seen our company join with the Council and contribute towards a feasibility study for redevelopment of the Community Centre in Deloraine to a Regional Sports and Recreation Centre. This is a long-term initiative and although we are in the early stages of its development, we are very excited about the opportunities offered by our partnership with Council and the potential for involvement by other levels of Government as the project develops.

I would like to express the Board's appreciation to our staff, Darren, Simon, Kim, Judy, Susan and Kristy for their dedication and care for our customers over the past year. They are the heart of our bank and essential to our continued success. I would also like to acknowledge Bendigo and Adelaide Bank, our partners, whose **Community Bank**<sup>®</sup> model continues to be the only one of its kind anywhere in the world and which has allowed us to return more than \$1 million back to our community. Your continued support as shareholders of the company is also deeply appreciated and valued.

After nearly 10 years as Chair of the Board I decided to step down from the Chair as of June 30 this year, resume my role as a Director and continue my involvement with **Community Bank**<sup>®</sup> network in the national arena. I would like to thank the Board for its terrific support and I wish the new Chair all the very best for the future.



**Lynn Hayward**  
**Chair**

# Manager's report

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For year ending 30 June 2017

The 2016/17 financial year has been one of great challenge for the branch both professionally and personally. At 12 years old we are a maturing branch receiving fantastic support from our community but with reduced growth opportunity due to loan reductions and loan payoffs. This is not unexpected for a branch of our age but provides unique challenges on how we continue to engage with our customers both existing and new and how that then flows back into our community which assists it in being the vibrant, resilient, flourishing community we all love.

The branch staff and I have worked tirelessly this year to continue to provide the professional and personalised service that we pride ourselves on. This has not always been the case and I personally acknowledge that we have struggled to achieve these levels at times with unexpected branch closures and longer wait times than normal. I know that the branch staff and I have been incredibly thankful for your patience and understanding around these issues and we are extremely grateful for your support. So thank you!

As most of you would be aware the most significant event to affect our branch this year was the devastating loss of staff member Kim Walter's beloved son Isaac. Isaac's passing had a profound effect on both myself and the other staff. This of course was nothing in comparison to the grief and loss experienced by Kim and her family and we continue to send them our love and support.

I would like to thank the Board for their support and generosity in allowing our branch to support Kim and her family in a number of ways. Our great hope for this year is that Kim will resume her role as Branch Supervisor as the branch hasn't been the same without her.

Although it has been a tough year financially with minimal growth added to our book, we controlled expenses well and were able to create our most significant profit to date. We saw strong growth in our Rural Bank portfolio and there remains exciting opportunities in our community for our specialist rural lender. I am also greatly excited by the potential of our new recreation precinct. This opportunity has allowed for a strengthened partnership between ourselves and local council as we collaborate together to make this project a reality. This project has also seen us in discussion with all sides of state government as we leverage our commitment, to realise another significant community outcome.

Although we are in an environment that sees fierce competition for business and narrow margins, there are also exciting times ahead with endless possibility. If you enjoy banking with us as much as we like having you as customers please recommend us to your friends and family. That way we can all prosper together and continue to add value to what is a great place to live and raise our families.



**Darren Rumble**  
**Branch Manager**

# Directors' report

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For the financial year ended 30 June 2017

Your directors submit the financial statements of the company for the financial year ended 30 June 2017.

## Directors

The names and details of the company's directors who held office during or since the end of the financial year:

### **Lynette Ann Hayward**

Resigning as Chair as of June 2017

Occupation: Consultant

Qualifications, experience and expertise: M.Ed. Grad Cert Bus (Regional Development). Former senior manager at Telstra, Director of Personal at the University of Adelaide. Company secretary from 2004 - 2008 and board chair from 2009 - 2017 of MVFSL. Bendigo bank mentor for new community projects in Tasmania. VIC/TAS elected representative on CBSAB. Public officer and former chair of Launceston Youth and Community Orchestra. Director of Kentish Financial Services Ltd June 2017 to present.

Special responsibilities: Nil

Interest in shares: 3,001

### **Laura Jane Richardson**

Secretary

Occupation: Adviser

Qualifications, experience and expertise: Extensive secretarial, administrative and marketing experience. Member of the Chudleigh Agricultural & Horticultural Society, Foundation President of Deloraine Devils Netball Club. Past President of the Rural Youth Organisation of Tasmania.

Special responsibilities: Chairman, Governance Committee and HR Committee (Resigned as Secretary 30 June 2017).

Interest in shares: 751

### **Melinda Kay Norton**

Treasurer (resigned as Treasurer 2017)

Occupation: Electorate Officer

Qualifications, experience and expertise: Melinda is the Secretary of MVFSL and Treasurer of Weegen Hall Committee. She has a background in administration, customer services, hospitality and is a volunteer fire fighter.

Special responsibilities: Secretary and Governance committee (Resigned as Treasurer 30 June 2017).

Interest in shares: 500

### **Anne Margaret Harvey**

Director

Occupation: Teacher

Qualifications, experience and expertise: Current Dairy Farmer/ Agistment Business. Diploma of Teaching and Bachelor of Education. Current life member of Deloraine Community band. Life member of Deloraine Primary School Association.

Special responsibilities: Business Development Committee

Interest in shares: 1,000

# Directors' report (continued)

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## Directors (continued)

### **Graham Stephen Dent**

Director

Occupation: Farmer

Qualifications, experience and expertise: Graham has been operating a small business which includes retail and processing for 40 years. The business is growing each year. His expertise is moving the business forward and creating new opportunities. He is currently a Director and the Chairman of Tasmanian Ltd and has been for the past 15 years.

Special responsibilities: Business Development Committee, Rural Dinner organiser.

Interest in shares: 10,000

### **David Anthony Bounds**

Director

Occupation: Self Employed/Biotech

Qualifications, experience and expertise: Life member of Apex, Farming for over 35 years presently microbiac formulations.

Special responsibilities: Business Development Committee

Interest in shares: 10,001

### **David Frank Cameron**

Director

Occupation: Farmer

Qualifications, experience and expertise: Ex Butcher for 26 years, which was he owned for 11 years. 10 years at Rotary Deloraine & served as president, Played football, Badminton & Basketball. Member Deloraine Pony Club.

Special responsibilities: Nil

Interest in shares: 2,000

### **Kay Frances Lincoln**

Director

Occupation: Music Teacher

Qualifications, experience and expertise: Kay has had administration experience with The University of Tasmania, Australian Maritime college, Tasmanian Music Industry Association, and the Tasmanian Art Council. Participates in voluntary work with Red Cross, Salvos, Official Visitors Scheme. Musical Activities and workshops with adults and children from Deloraine Devonport and Ulverstone. Kay has done diversional therapy work in aged care and has been involved in music festivals, the community band (past President and life member) leading the community choir.

Special responsibilities: Business Development Committee, Grant, Scholarship and School awards administration, MVFSL Board Minutes, Branch Artwork.

Interest in shares: 5,000

### **Barry Gordon Pearn**

Director (Appointed 25 August 2016)

Occupation: Semi Retired/ IT consultant

Qualifications, experience and expertise: Barry has completed a Bachelor of Business (Accounting), Graduate Diploma of Applied Computing and a Masters of Computing. He has worked in a number of industries such as earthmoving and land clearing, managing onsite contracting at Woodchip Mill, earthmoving and farm drainage, civil contract administration, IT consulting. He is also a member of the Rotary club of Westbury, Whitemore fire brigade and was a civil contractor federation member as a councillor and treasurer.

Special responsibilities: Treasurer

Interest in shares: Nil

# Directors' report (continued)

## Directors (continued)

### Christopher Philip Moorhouse

Director (Resigned 31 July 2016)

Occupation: Rural & Community Senior Consultant

Qualifications, experience and expertise: Over 40 years in senior practice, administration, policy, teaching, research and advisory roles in health, higher education, natural resource management and community sector services in three Australian states and for national and international organizations. DipTech, Bed, Med., MA, Adv Dip Comm Sector Management, MACE, MAICD.

Special responsibilities: Nil

Interest in shares: 3,000

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

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

## Company Secretary

The company secretary is Laura Richardson. Laura was appointed to the position of secretary on 30 June 2007.

Laura has extensive secretarial, administrative and marketing experience. Member of the Chudleigh Agricultural & Horticultural Society, Foundation President of Deloraine Devils Netball Club. Past President of the Rural Youth Organisation of Tasmania.

## Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank**<sup>®</sup> services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

## Operating results

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was:

| Year ended 30 June 2017 | Year ended 30 June 2016 |
|-------------------------|-------------------------|
| \$                      | \$                      |
| 38,481                  | 44,330                  |

## Dividends

|                            | Year ended 30 June 2017 |        |
|----------------------------|-------------------------|--------|
|                            | Cents                   | \$     |
| Dividends paid in the year | 7                       | 45,500 |

## Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

## Events since the end of the financial year

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

# Directors' report (continued)

## Likely developments

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

## Environmental regulation

The company is not subject to any significant environmental regulation.

## Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 20 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

## Indemnification and insurance of directors and officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

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 or a related body corporate.

## Directors' meetings

The number of directors' meetings attended by each of the directors of the company during the year were:

|  | Board Meetings Attended |          | Business Development |          |
|--|-------------------------|----------|----------------------|----------|
|  | Eligible                | Attended | Eligible             | Attended |
| Lynette Ann Hayward                                  | 11                      | 9        | 5                    | 2        |
| Laura Jane Richardson                                | 11                      | 8        | -                    | -        |
| Melinda Kay Norton                                   | 11                      | 10       | -                    | -        |
| Anne Margaret Harvey                                 | 11                      | 9        | 5                    | 5        |
| Graham Stephen Dent                                  | 11                      | 10       | 5                    | 2        |
| David Anthony Bounds                                 | 11                      | 10       | 5                    | 4        |
| David Cameron  | 11                      | 8        | 5                    | 4        |
| Kay Frances Lincoln                                  | 11                      | 11       | 5                    | 5        |
| Barry Pearn (Appointed 25 August 2016)               | 9                       | 8        | -                    | -        |
| Christopher Philip Moorhouse (Resigned 31 July 2016) | 1                       | 1        | -                    | -        |

A - eligible to attend

B - number attended



# Directors' report (continued)

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## **Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

## **Non audit services**

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

## **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed in accordance with a resolution of the board of directors at Deloraine, Tasmania on 25 August 2017.



**Laura Jane Richardson,**  
**Chairman**

# Auditor's independence declaration

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*Partners in success*

Chartered Accountants

61 Bull Street, Bendigo 3550  
PO Box 454, Bendigo 3552  
03 5443 0344  
afsbendigo.com.au

## Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Meander Valley Financial Services Limited

As lead auditor for the audit of Meander Valley Financial Services Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated: 25 August 2017

A handwritten signature in black ink, appearing to read 'David Hutchings'.

**David Hutchings**  
Lead Auditor

# Financial statements

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

|  | Notes | 2017<br>\$    | 2016<br>\$    |
|--|-------|---------------|---------------|
| Revenue from ordinary activities   | 4     | 788,516       | 799,064       |
| Employee benefits expense  |       | (343,476)     | (378,678)     |
| Charitable donations and sponsorship   |       | (172,439)     | (126,910)     |
| Occupancy and associated costs   |       | (64,342)      | (64,827)      |
| Systems costs  |       | (18,240)      | (21,448)      |
| Depreciation and amortisation expense  | 5     | (24,434)      | (22,406)      |
| Finance costs  | 5     | -             | (3)           |
| General administration expenses  |       | (112,507)     | (122,923)     |
| <b>Profit before income tax expense</b>  |       | <b>53,078</b> | <b>61,869</b> |
| Income tax expense   | 6     | (14,597)      | (17,539)      |
| <b>Profit after income tax expense</b>   |       | <b>38,481</b> | <b>44,330</b> |
| <b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b> |       | <b>38,481</b> | <b>44,330</b> |
| <b>Earnings per share</b>  |       | <b>¢</b>      | <b>¢</b>      |
| Basic earnings per share   | 21    | 5.92          | 6.82          |

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Balance Sheet as at 30 June 2017

|                                      | Notes | 2017<br>\$     | 2016<br>\$     |
|--------------------------------------|-------|----------------|----------------|
| <b>ASSETS</b>                        |       |                |                |
| <b>Current Assets</b>                |       |                |                |
| Cash and cash equivalents            | 7     | 282,800        | 182,752        |
| Trade and other receivables          | 8     | 46,007         | 41,380         |
| <b>Total Current Assets</b>          |       | <b>328,807</b> | <b>224,132</b> |
| <b>Non-Current Assets</b>            |       |                |                |
| Property, plant and equipment        | 9     | 142,592        | 139,051        |
| Intangible assets                    | 10    | 40,834         | 54,444         |
| <b>Total Non-Current Assets</b>      |       | <b>183,426</b> | <b>193,495</b> |
| <b>Total Assets</b>                  |       | <b>512,233</b> | <b>417,627</b> |
| <b>LIABILITIES</b>                   |       |                |                |
| <b>Current Liabilities</b>           |       |                |                |
| Trade and other payables             | 12    | 120,861        | 28,451         |
| Current tax liabilities              | 11    | 15,976         | 10,899         |
| <b>Total Current Liabilities</b>     |       | <b>136,837</b> | <b>39,350</b>  |
| <b>Non-Current Liabilities</b>       |       |                |                |
| Deferred tax liabilities             | 11    | 6,698          | 2,560          |
| <b>Total Non-Current Liabilities</b> |       | <b>6,698</b>   | <b>2,560</b>   |
| <b>Total Liabilities</b>             |       | <b>143,535</b> | <b>41,910</b>  |
| <b>Net Assets</b>                    |       | <b>368,698</b> | <b>375,717</b> |
| <b>Equity</b>                        |       |                |                |
| Issued capital                       | 13    | 618,894        | 618,894        |
| Accumulated losses                   | 14    | (250,196)      | (243,177)      |
| <b>Total Equity</b>                  |       | <b>368,698</b> | <b>375,717</b> |

The accompanying notes form part of these financial statements.

## Financial statements (continued)

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

|  | Issued<br>capital<br>\$ | Accumulated<br>losses<br>\$ | Total<br>equity<br>\$ |
|--|-------------------------|-----------------------------|-----------------------|
| <b>Balance at 1 July 2015</b>                                | <b>618,894</b>          | <b>(248,507)</b>            | <b>370,387</b>        |
| Total comprehensive income for the year                      | -                       | 44,330                      | 44,330                |
| <b>Transactions with owners in their capacity as owners:</b> |                         |                             |                       |
| Dividends provided for or paid                               | -                       | (39,000)                    | (39,000)              |
| <b>Balance at 30 June 2016</b>                               | <b>618,894</b>          | <b>(243,177)</b>            | <b>375,717</b>        |
| <b>Balance at 1 July 2016</b>                                | <b>618,894</b>          | <b>(243,177)</b>            | <b>375,717</b>        |
| Total comprehensive income for the year                      | -                       | 38,481                      | 38,481                |
| <b>Transactions with owners in their capacity as owners:</b> |                         |                             |                       |
| Dividends provided for or paid                               | -                       | (45,500)                    | (45,500)              |
| <b>Balance at 30 June 2017</b>                               | <b>618,894</b>          | <b>(250,196)</b>            | <b>368,698</b>        |

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Cash Flows for the year ended 30 June 2017

|   | Notes       | 2017<br>\$      | 2016<br>\$      |
|---|-------------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>                       |             |                 |                 |
| Receipts from customers   |             | 861,555         | 860,386         |
| Payments to suppliers and employees                               |             | (698,783)       | (774,814)       |
| Interest received   |             | 2,522           | 2,791           |
| Interest paid   |             | -               | (3)             |
| Income taxes paid   |             | (5,382)         | (1,392)         |
| <b>Net cash provided by operating activities</b>                  | <b>15</b>   | <b>159,912</b>  | <b>86,968</b>   |
| <b>Cash flows from investing activities</b>                       |             |                 |                 |
| Payments for property, plant and equipment                        |             | (14,364)        | (2,180)         |
| Payments for intangible assets                                    |             | -               | (68,056)        |
| <b>Net cash used in investing activities</b>                      |             | <b>(14,364)</b> | <b>(70,236)</b> |
| <b>Cash flows from financing activities</b>                       |             |                 |                 |
| Repayment of borrowings   |             | -               | (567)           |
| Dividends paid  |             | (45,500)        | (39,000)        |
| <b>Net cash used in financing activities</b>                      |             | <b>(45,500)</b> | <b>(39,567)</b> |
| <b>Net increase/(decrease) in cash held</b>                       |             | <b>100,048</b>  | <b>(22,835)</b> |
| Cash and cash equivalents at the beginning of the financial year  |             | 182,752         | 205,587         |
| <b>Cash and cash equivalents at the end of the financial year</b> | <b>7(a)</b> | <b>282,800</b>  | <b>182,752</b>  |

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2017

## Note 1. Summary of significant accounting policies

### a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

#### Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

#### Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

#### Comparative figures

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

#### Application of new and amended accounting standards

There are a number of amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2016, and are therefore relevant for the current financial year.

None of these amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

There are also a number of accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2016. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

Only AASB 16 Leases, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. This revised standard will require the branch lease to be capitalised.

#### Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**<sup>®</sup> branch at Deloraine, Tasmania.

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### a) Basis of preparation (continued)

#### Economic dependency - Bendigo and Adelaide Bank Limited (continued)

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank” and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**<sup>®</sup> branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**<sup>®</sup> branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

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

- advice and assistance in relation to the design, layout and fit out of the **Community Bank**<sup>®</sup> branch
- training for the branch manager 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
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

### b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

#### Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.



# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **b) Revenue (continued)**

#### Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days' notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

#### Margin

Margin is arrived at through the following calculation:

- Interest paid by customers on loans less interest paid to customers on deposits
- plus any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,
- minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Margin is paid on all core banking products. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.

The company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

#### Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products.

#### Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

#### Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo and Adelaide Bank Limited has also made discretionary financial payments to the company. These are referred to by Bendigo and Adelaide Bank Limited as a "Market Development Fund" (MDF).

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and donations.

It is for the board to decide how to use the MDF.

The payments from Bendigo and Adelaide Bank Limited are discretionary and Bendigo and Adelaide Bank Limited may change the amount or stop making them at any time.

#### Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited earns revenue.

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### b) Revenue (continued)

#### Ability to change financial return (continued)

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

If Bendigo and Adelaide Bank Limited makes a change to the margin or commission on core banking products and services, it must not reduce the margin and commission the company receives on core banking products and services Bendigo and Adelaide Bank Limited attributes to the company to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank Limited's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank Limited may make.

Bendigo and Adelaide Bank Limited must give the company 30 days' notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

#### Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank**<sup>®</sup> companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank**<sup>®</sup> model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

### c) Income tax

#### Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

#### Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **c) Income tax (continued)**

#### Deferred tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

#### Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

### **d) Employee entitlements**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

### **e) Cash and cash equivalents**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

### **f) Trade receivables and payables**

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

### **g) Property, plant and equipment**

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements            40 years
- plant and equipment                2.5 - 40 years

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **h) Intangibles**

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

### **i) Payment terms**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

### **j) Borrowings**

All loans are initially measured at the principal amount. Interest is recognised as an expense as it accrues.

### **k) Financial instruments**

#### Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

#### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires 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.

#### Classification and subsequent measurement

##### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

##### (ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

##### (iii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

#### Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **l) 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 recording 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 charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

### **m) Provisions**

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions of other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

### **n) Contributed equity**

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

### **o) Earnings per share**

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

### **p) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

## Note 2. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

# Notes to the financial statements (continued)

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## Note 2. Financial risk management (continued)

### (i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

### (ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

### (iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

### (iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

### (v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

### (vi) 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 Balance Sheet.

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee 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 where 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 for the year ended 30 June 2017 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

## Note 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

# Notes to the financial statements (continued)

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## Note 3. Critical accounting estimates and judgements (continued)

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

### Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the Statement of Profit or Loss and Other Comprehensive Income.

### Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

### Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

## Notes to the financial statements (continued)

|  | 2017<br>\$     | 2016<br>\$     |
|--|----------------|----------------|
| <b>Note 4. Revenue from ordinary activities</b>    |                |                |
| Operating activities:                              |                |                |
| - gross margin                                     | 550,914        | 455,279        |
| - services commissions                             | 138,058        | 212,889        |
| - fee income                                       | 60,390         | 64,405         |
| - market development fund                          | 25,000         | 50,000         |
| <b>Total revenue from operating activities</b>     | <b>774,362</b> | <b>782,573</b> |
| Non-operating activities:                          |                |                |
| - interest received                                | 2,522          | 2,791          |
| - rental revenue                                   | 11,632         | 11,685         |
| - other revenue                                    | -              | 2,015          |
| <b>Total revenue from non-operating activities</b> | <b>14,154</b>  | <b>16,491</b>  |
| <b>Total revenues from ordinary activities</b>     | <b>788,516</b> | <b>799,064</b> |

## Note 5. Expenses

Depreciation of non-current assets:

|                          |       |       |
|--------------------------|-------|-------|
| - plant and equipment    | 4,730 | 3,569 |
| - leasehold improvements | 6,093 | 5,226 |

Amortisation of non-current assets:

|                         |               |               |
|-------------------------|---------------|---------------|
| - franchise agreement   | 2,269         | 2,269         |
| - franchise renewal fee | 11,342        | 11,342        |
|                         | <b>24,434</b> | <b>22,406</b> |

Finance costs:

|                  |           |            |
|------------------|-----------|------------|
| - interest paid  | -         | 3          |
| <b>Bad debts</b> | <b>85</b> | <b>783</b> |

## Note 6. Income tax expense

The components of tax expense comprise:

|  |               |               |
|--|---------------|---------------|
| - Current tax  | 10,459        | 12,290        |
| - Movement in deferred tax   | 4,138         | 3,665         |
| - Adjustment to deferred tax to reflect change to tax rate in future periods | -             | (93)          |
| - Recoupment of prior year tax losses  | -             | 3,665         |
| - Under/(Over) provision of tax in the prior period                          | -             | (1,988)       |
|  | <b>14,597</b> | <b>17,539</b> |



## Notes to the financial statements (continued)

|   | 2017<br>\$    | 2016<br>\$    |
|---|---------------|---------------|
| Note 6. Income tax expense (continued)  |               |               |
| The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows |               |               |
| Operating profit  | 53,078        | 61,869        |
| Prima facie tax on profit from ordinary activities at 27.5% (2016: 28.5%)   | 14,596        | 17,633        |
| Add tax effect of:  |               |               |
| - other non-deductable expenses   | 288           | -             |
| - timing difference expenses  | (4,425)       | (1,678)       |
|   | <b>10,459</b> | <b>15,955</b> |
| Movement in deferred tax  | 4,138         | 3,665         |
| Adjustment to deferred tax to reflect change of tax rate in future periods  | -             | (93)          |
| Under/(Over) provision of income tax in the prior year  | -             | (1,988)       |
|   | <b>14,597</b> | <b>17,539</b> |

## Note 7. Cash and cash equivalents

|                          |                |                |
|--------------------------|----------------|----------------|
| Cash at bank and on hand | 89,048         | 41,023         |
| Term deposits            | 193,752        | 141,729        |
|                          | <b>282,800</b> | <b>182,752</b> |

### Note 7.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

|                          |                |                |
|--------------------------|----------------|----------------|
| Cash at bank and on hand | 89,048         | 41,023         |
| Term deposits            | 193,752        | 141,729        |
|                          | <b>282,800</b> | <b>182,752</b> |

## Note 8. Trade and other receivables

|                                |               |               |
|--------------------------------|---------------|---------------|
| Trade receivables              | 35,036        | 31,364        |
| Prepayments                    | 6,444         | 6,169         |
| Other receivables and accruals | 4,527         | 3,847         |
|                                | <b>46,007</b> | <b>41,380</b> |

## Notes to the financial statements (continued)

|  | 2017<br>\$     | 2016<br>\$     |
|--|----------------|----------------|
| <b>Note 9. Property, plant and equipment</b> |                |                |
| Land and buildings                           |                |                |
| Leasehold improvements                       |                |                |
| At cost                                      | 200,705        | 200,705        |
| Less accumulated depreciation                | (82,298)       | (76,205)       |
|  | <b>118,407</b> | <b>124,500</b> |
| Plant and equipment                          |                |                |
| At cost                                      | 84,706         | 70,342         |
| Less accumulated depreciation                | (60,521)       | (55,791)       |
|  | <b>24,185</b>  | <b>14,551</b>  |
| <b>Total written down amount</b>             | <b>142,592</b> | <b>139,051</b> |
| <b>Movements in carrying amounts:</b>        |                |                |
| Leasehold improvements                       |                |                |
| Carrying amount at beginning                 | 124,500        | 129,896        |
| Additions                                    | -              | 680            |
| Disposals                                    | -              | -              |
| Less: depreciation expense                   | (6,093)        | (6,076)        |
| <b>Carrying amount at end</b>                | <b>118,407</b> | <b>124,500</b> |
| Plant and equipment                          |                |                |
| Carrying amount at beginning                 | 14,551         | 15,770         |
| Additions                                    | 14,364         | 1,500          |
| Disposals                                    | -              | -              |
| Less: depreciation expense                   | (4,730)        | (2,719)        |
| <b>Carrying amount at end</b>                | <b>24,185</b>  | <b>14,551</b>  |
| <b>Total written down amount</b>             | <b>142,592</b> | <b>139,051</b> |

## Note 10. Intangible assets

|                                |              |              |
|--------------------------------|--------------|--------------|
| Franchise fee                  |              |              |
| At cost                        | 82,914       | 82,913       |
| Less: accumulated amortisation | (76,108)     | (73,839)     |
|                                | <b>6,806</b> | <b>9,074</b> |

## Notes to the financial statements (continued)

|  | 2017<br>\$    | 2016<br>\$    |
|--|---------------|---------------|
| Note 10. Intangible assets (continued) |               |               |
| Renewal processing fee                 |               |               |
| At cost                                | 114,566       | 114,566       |
| Less: accumulated amortisation         | (80,538)      | (69,196)      |
|  | <b>34,028</b> | <b>45,370</b> |
| <b>Total written down amount</b>       | <b>40,834</b> | <b>54,444</b> |

## Note 11. Tax

### Current:

|                           |               |               |
|---------------------------|---------------|---------------|
| <b>Income tax payable</b> | <b>15,976</b> | <b>10,899</b> |
|---------------------------|---------------|---------------|

### Non-Current:

#### Deferred tax assets

|            |            |              |
|------------|------------|--------------|
| - accruals | 743        | 1,018        |
|            | <b>743</b> | <b>1,018</b> |

#### Deferred tax liability

|                                 |              |              |
|---------------------------------|--------------|--------------|
| - accruals                      | -            | 3,578        |
| - property, plant and equipment | 7,441        | -            |
|                                 | <b>7,441</b> | <b>3,578</b> |

|                                   |                |                |
|-----------------------------------|----------------|----------------|
| <b>Net deferred tax liability</b> | <b>(6,698)</b> | <b>(2,560)</b> |
|-----------------------------------|----------------|----------------|

### Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income

|  |              |              |
|--|--------------|--------------|
|  | <b>4,138</b> | <b>5,248</b> |
|--|--------------|--------------|

## Note 12. Trade and other payables

### Current:

|                              |                |               |
|------------------------------|----------------|---------------|
| Trade creditors              | 109,240        | 15,157        |
| Other creditors and accruals | 11,621         | 13,294        |
|                              | <b>120,861</b> | <b>28,451</b> |

## Note 13. Contributed equity

|  |                |                |
|--|----------------|----------------|
| 650,000 ordinary shares fully paid (2016: 650,000) | 650,000        | 650,000        |
| Less: equity raising expenses                      | (31,106)       | (31,106)       |
|  | <b>618,894</b> | <b>618,894</b> |

# Notes to the financial statements (continued)

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## Note 13. Contributed equity (continued)

### Rights attached to shares

#### (a) Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank**<sup>®</sup> branch have the same ability to influence the operation of the company.

#### (b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

#### (c) Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act 2001.

### Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 316. As at the date of this report, the company had 338 shareholders.

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

# Notes to the financial statements (continued)

## Note 13. Contributed equity (continued)

### Prohibited shareholding interest (continued)

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

|  | 2017<br>\$       | 2016<br>\$       |
|--|------------------|------------------|
| <b>Note 14. Accumulated losses</b>                   |                  |                  |
| Balance at the beginning of the financial year       | (243,177)        | (248,507)        |
| Net profit from ordinary activities after income tax | 38,481           | 44,330           |
| Dividends paid or provided for                       | (45,500)         | (39,000)         |
| <b>Balance at the end of the financial year</b>      | <b>(250,196)</b> | <b>(243,177)</b> |

## Note 15. Statement of cash flows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

|  |                |               |
|--|----------------|---------------|
| Profit from ordinary activities after income tax       | 38,481         | 44,330        |
| Non cash items:  |                |               |
| - depreciation   | 10,823         | 8,795         |
| - amortisation   | 13,611         | 13,611        |
| Changes in assets and liabilities:                     |                |               |
| - (increase)/decrease in receivables                   | (4,628)        | 554           |
| - (increase)/decrease in other assets                  | -              | 2,688         |
| - increase/(decrease) in payables                      | 92,410         | 3,531         |
| - increase/(decrease) in current tax liabilities       | 9,215          | 13,459        |
| <b>Net cash flows provided by operating activities</b> | <b>159,912</b> | <b>86,968</b> |

## Notes to the financial statements (continued)

|   | 2017<br>\$    | 2016<br>\$     |
|---|---------------|----------------|
| <b>Note 16. Leases</b>  |               |                |
| Operating lease commitments   |               |                |
| Non-cancellable operating leases contracted for but not capitalised in the financial statements |               |                |
| Payable - minimum lease payments:   |               |                |
| - not later than 12 months  | 31,275        | 31,275         |
| - between 12 months and 5 years   | 62,550        | 93,824         |
| - greater than 5 years  | -             | -              |
|   | <b>93,825</b> | <b>125,099</b> |

The operating lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease began on 1 June 2015.

## Note 17. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:

|                             |               |               |
|-----------------------------|---------------|---------------|
| - audit and review services | 5,300         | 5,100         |
| - share registry services   | 4,282         | 2,170         |
| - non audit services        | 1,963         | 4,177         |
|                             | <b>11,545</b> | <b>11,447</b> |

## Note 18. Director and related party disclosures

The names of directors who have held office during the financial year are:

Lynette Ann Hayward  
Laura Jane Richardson  
Melinda Kay Norton  
Anne Margaret Harvey  
Graham Stephen Dent  
David Anthony Bounds  
David Cameron  
Kay Frances Lincoln  
Barry Pearn (Appointed 25 August 2016)  
Christopher Philip Moorhouse (Resigned 31 July 2016)

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

## Notes to the financial statements (continued)

### Note 18. Director and related party disclosures (continued)

|  | 2017   | 2016   |
|--|--------|--------|
| <b>Directors' Shareholdings</b>                      |        |        |
| Lynette Ann Hayward                                  | 3,001  | 3,001  |
| Laura Jane Richardson                                | 751    | 751    |
| Melinda Kay Norton                                   | 500    | 500    |
| Anne Margaret Harvey                                 | 1,000  | 1,000  |
| Graham Stephen Dent                                  | 10,000 | 10,000 |
| David Anthony Bounds                                 | 10,001 | 10,001 |
| David Cameron  | 2,000  | 2,000  |
| Kay Frances Lincoln                                  | 5,000  | 5,000  |
| Barry Pearn (Appointed 25 August 2016)               | -      | -      |
| Christopher Philip Moorhouse (Resigned 31 July 2016) | 3,000  | 3,000  |

There was no movement in directors' shareholdings during the year.

|  | 2017<br>\$ | 2016<br>\$ |
|--|------------|------------|
|--|------------|------------|

### Note 19. Dividends paid or provided

#### a. Dividends paid during the year

|  |               |               |
|--|---------------|---------------|
| Current year dividend  |               |               |
| <b>Unfranked dividend (2016 Unfranked) - 7 cents (2016: 6 cents) per share</b> | <b>45,500</b> | <b>39,000</b> |

#### b. Franking account balance

|  |               |               |
|--|---------------|---------------|
| Franking credits available for subsequent reporting periods are:   |               |               |
| - franking account balance as at the end of the financial year   | 6,037         | 1,392         |
| - franking credits that will arise from payment of income tax as at the end of the financial year  | 15,976        | 10,899        |
| - franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year   | -             | -             |
| <b>Franking credits available for future financial reporting periods:</b>  | <b>22,013</b> | <b>12,291</b> |
| - franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period | -             | -             |
| <b>Net franking credits available</b>  | <b>22,013</b> | <b>12,291</b> |

## Notes to the financial statements (continued)

|   | 2017<br>\$   | 2016<br>\$   |
|---|--------------|--------------|
| <b>Note 20. Key management personnel disclosures</b>                      |              |              |
| The directors received remuneration including superannuation, as follows: |              |              |
| Laura Jane Richardson   | 7,000        | 500          |
| Anne Margaret Harvey  | -            | -            |
| Graham Stephen Dent   | -            | -            |
| Melinda Kay Norton  | -            | 2,800        |
| Barry Pearn (Appointed 25 August 2016)                                    | -            | -            |
| Lynette Ann Hayward   | -            | -            |
| David Anthony Bounds  | -            | -            |
| David Cameron   | -            | -            |
| Kay Frances Lincoln   | -            | -            |
| Christopher Philip Moorhouse (Resigned 31 July 2016)                      | -            | -            |
|   | <b>7,000</b> | <b>3,300</b> |

### **Community Bank**<sup>®</sup> Directors' Privileges Package

The board has adopted the **Community Bank**<sup>®</sup> Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank**<sup>®</sup> branch at Deloraine, Tasmania. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the directors from the Directors' Privilege Package are \$nil for the year ended 30 June 2017 (2016: \$nil).

|  | 2017<br>\$    | 2016<br>\$    |
|--|---------------|---------------|
| <b>Note 21. Earnings per share</b>   |               |               |
| (a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share   | 38,481        | 44,330        |
|  | <b>Number</b> | <b>Number</b> |
| (b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 650,000       | 650,000       |

### Note 22. Events occurring after the reporting date

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

### Note 23. Contingent liabilities and contingent assets

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



# Notes to the financial statements (continued)

## Note 24. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Deloraine, Tasmania pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

## Note 25. Registered office/Principal place of business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

### Registered Office

49 Emu Bay Road  
Deloraine TAS 7304

### Principal Place of Business

49 Emu Bay Road  
Deloraine TAS 7304

## Note 26. Financial instruments

### Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

| Financial instrument         | Floating interest |         | Fixed interest rate maturing in |         |                   |         |              |         | Non interest bearing |         | Weighted average |        |
|------------------------------|-------------------|---------|---------------------------------|---------|-------------------|---------|--------------|---------|----------------------|---------|------------------|--------|
|                              |                   |         | 1 year or less                  |         | Over 1 to 5 years |         | Over 5 years |         |                      |         |                  |        |
|                              | 2017 \$           | 2016 \$ | 2017 \$                         | 2016 \$ | 2017 \$           | 2016 \$ | 2017 \$      | 2016 \$ | 2017 \$              | 2016 \$ | 2017 %           | 2016 % |
| <b>Financial assets</b>      |                   |         |                                 |         |                   |         |              |         |                      |         |                  |        |
| Cash and cash equivalents    | 86,720            | 39,519  | 193,752                         | 141,729 | -                 | -       | -            | -       | 2,328                | 1,504   | 1.09             | 1.28   |
| Receivables                  | -                 | -       | -                               | -       | -                 | -       | -            | -       | 35,036               | 31,364  | N/A              | N/A    |
| <b>Financial liabilities</b> |                   |         |                                 |         |                   |         |              |         |                      |         |                  |        |
| Payables                     | -                 | -       | -                               | -       | -                 | -       | -            | -       | 109,240              | 15,157  | N/A              | N/A    |

### Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

### Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

### Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

# Notes to the financial statements (continued)

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## Note 26. Financial instruments (continued)

### Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

As at 30 June 2017, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

|                                 | <b>2017</b> | <b>2016</b> |
|---------------------------------|-------------|-------------|
|                                 | <b>\$</b>   | <b>\$</b>   |
| Change in profit/(loss)         |             |             |
| Increase in interest rate by 1% | 2,805       | 1,812       |
| Decrease in interest rate by 1% | (2,805)     | (1,812)     |
| Change in equity                |             |             |
| Increase in interest rate by 1% | 2,805       | 1,812       |
| Decrease in interest rate by 1% | (2,805)     | (1,812)     |

# Directors' declaration

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In accordance with a resolution of the directors of Meander Valley Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are 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 financial year ended on that date; and
  - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.



**Laura Jane Richardson,**  
**Chairman**

Signed on the 25th of August 2017.

# Independent audit report

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*Partners in success*

Chartered Accountants

61 Bull Street, Bendigo 3550  
PO Box 454, Bendigo 3552  
03 5443 0344  
afsbendigo.com.au

## Independent auditor's report to the members of Meander Valley Financial Services Limited

### Report on the audit of the financial statements

#### Our opinion

In our opinion, the financial report of Meander Valley 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 ended on that date; and
- ii. complying with Australian Accounting Standards.

#### What we have audited

Meander Valley Financial Services Limited's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Balance sheet
- ✓ Statement of changes in equity
- ✓ Statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the entity.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We are independent of the Company 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Other information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

Taxation | Audit | Business Services

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# Independent audit report (continued)

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The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available 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 we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

## **Directors' responsibility for the financial report**

The directors of the company are responsible for the preparation of the financial report so that it 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 is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability 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 cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibility for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, 3550  
Dated: 25 August 2017



**David Hutchings**  
Lead Auditor

Deloraine & Districts **Community Bank**<sup>®</sup> Branch  
49 Emu Bay Road, Deloraine TAS 7304  
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