



Annual Report 2017

San Remo District
Financial Services Limited

ABN 20 102 770 150

San Remo District **Community Bank**[®] Branch
Cowes **Community Bank**[®] Branch
Grantville & District **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2017

Our Annual General Meeting will be held at the Newhaven Yacht Club in Seaview Street, Newhaven on Monday 30 October at 7.30pm. We will also be presenting the successful applicants with their grant cheques, after which a light supper will be served.

The footings grew by \$42 million for the financial year, an extra-ordinary growth. This enabled us to continue our sponsorships, scholarships and dividend distribution throughout the year. It is expected that a fully franked dividend of 0.06c per share will be paid in the near future (2017).

This financial year has once again seen a tightening of margins, with interest rates extremely competitive. We continue to have robust conversations with our partner, Bendigo and Adelaide Bank and have modified our staffing in management of our three branches.

Since our opening of San Remo District **Community Bank**[®] Branch in June 2003 I have noticed the drastic reduction of margins and this has put a greater load on our staff in conversations with customers/shareholders.

Although profits are not as high as I envisaged back in the early years, 2007/08 for instance, due to aforementioned reasons, we have done very well to have three branches operating profitably and thus contributing back to our community and shareholders.

Our total return is now at \$2.83 million with the following splits:

Sponsorship	\$1.540 million
Scholarships	\$140,000
Grants	\$648,000
Dividends	\$500,000

Grouping major community beneficiaries is:

Education	\$386,000
Health	\$123,000
Emergency services	\$204,000
Sporting clubs	\$380,000
Community buildings/ovals/upgrades	\$490,000

Since our opening on 27 June 2003 we have managed to return dividends totalling 0.41c (2007/16) plus a bonus issue of 1 share for every 10 held during the 2007/08 financial year.

We have now delisted from the NSX and moved onto our Low Volume Market. This will enable us to see that the buyer/seller of shares in our company is within the regulations as per our constitution. The LVM listings can be seen on our branch web pages i.e. <http://www.bendigobank.com.au/public/community/our-branches/san-remo/trading-shares-lvm/register-of-interested-parties>

We are very conscious of the reasons that original shareholders bought the shares was to 'get a bank' and to enable us to give good returns to the community. We believe that operating on the LVM will be more user-friendly.

We have had two resignations from Directors in the last couple of months, one for illness and the other moving out of the area. I thank them both for their contribution over the past number of years.

If you as a shareholder are banking with us I am pleased, if not I ask that you consider touching base with our staff. We can offer all aspects of retail banking and you can be assured of good service and confidentiality. Remember if you bank with us you help the community and all shareholders.

Chairman's report (continued)

A most sincere thanks to Michael Scott who stepped up in November to the position of managing all three branches. I have noticed the staff have responded exceptionally well and it has brought all three branches into a tighter unit. This move has meant a stepping up of all staff and we are pleased with the output from the older brigade (in service not age) and our recruits over the last couple of years.

I thank all our staff. As **Community Bank**[®] branch staff, they have more than general banking to do in answering various questions, from shareholder and customers as to what is different from a corporate branch. The greatest difference, of course, is that we give 80% of our profit back to the community and the other 20% to shareholders.

I thank our franchise partner; Bendigo and Adelaide Bank staff for their support and advice over the past year and my fellow volunteer Board members for their ongoing dedication to the company.

Many thanks to all our shareholders, over three branches, who had the foresight to jump on board to improve their community with this system of banking.



Terry Ashenden
Chairman

Manager's report

For year ending 30 June 2017

The 2016/17 financial year has seen growth across all three branches which was an excellent effort considering the record low interest rates as well as the level of competitiveness from other institutions.

Our consolidated footings at the end of the financial year reached \$296.9 million, which was an exceptional effort. This was made up of \$142.9 million in lending, \$143.5 million in deposits and \$10.5 million in financial planning products and leasing. We are fortunate to have a very balanced book between our lending and deposit products.

Collectively, the three branches recorded the highest annual growth for many years. In total, \$42.5 million!

San Remo District **Community Bank**[®] Branch had combined growth of \$17.8 million.

Cowes **Community Bank**[®] Branch had combined growth of \$9 million.

Grantville & District **Community Bank**[®] had combined growth of \$15.7 million.

These results cannot be achieved without the tireless work of our branch staff, the guidance of our Board and the support from you, our shareholders and customers.

Our customers are crucial to the success of our business and if you can refer any new customer, community group or sporting group to us, then this continues our ability to contribute funds back into the community. This year alone we have contributed/earmarked over \$280,000 into the local community. This includes, sporting clubs such as the local Football Clubs, Phillip Island, Dalyston & Kilcunda Bass. We have earmarked \$40,000 to both the Cowes Medical Hub as well as the Early Learning Centre at Corinella. We have supported Bowls Clubs, Scout Groups, just to name a few, plus many more.

Remember, that the difference with the **Community Bank**[®] model is that every time people bank with their local **Community Bank**[®] branch, our bottom line increases and as such, community contributions and dividends increase as well.

After many years of stability staff wise, this year we had the most changes to our staffing levels for sometime. Both Peter and Chabelle left the company and Robyn Thom decided to hang up her keyboard for a garden trowel as she moved into retirement. We welcomed to the company Rachel Dickerson based at Grantville, Siobain Lilleyman who is based at San Remo and recently added Donna Condoluci based at Cowes to the team. All three ladies have fitted in perfectly to our team and we look forward to them continuing their already high level of service.

I would like to take this opportunity to personally thank all of the girls (all 13 of them) for making the transition to just having the one Manager look after the three branches to be a seamless process. I believe that it is working well and our results across the three branches are testament to that. I would also like to say a special thank you to our Business Banker, Dean Thompson. Dean has been an excellent help to myself and nothing is too much trouble. Our company is very lucky to have Dean's business banking experience.

I would again like to acknowledge our volunteer Board members that have also been of great support and continue to support your community. To our Regional Manager, Anthony Gillett and the rest of the Regional Team, thank you for all of your assistance throughout the year.

It has been an excellent year and we are excited at what the future holds. We continue to provide excellent customer service across all three branches and we know that this will hold us in good stead going forward.



Michael Scott

Manager – San Remo District, Cowes and Grantville & District Community Bank[®] branches

Bendigo and Adelaide Bank report

For year ending 30 June 2017

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

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

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

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

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

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

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

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

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

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

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

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



Robert Musgrove
Executive Engagement Innovation

Directors' report

For the financial year ended 30 June 2017

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

Directors

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

Terry Ashenden

Position	Director and Chairperson Member of the Audit/Governance committee, Marketing and Development committee, Public Relations/Media committee, Human Resources committee and Agenda planning.
Professional qualifications	Nil
Experience and expertise	Production and planning manager at Lysaght's Hastings for 4 years. Turf accountant and small business owner for 25 years.

Joan Matthews

Position	Director Member of the Sponsorship committee.
Professional qualifications	Diploma of Accounting
Experience and expertise	National Sales & Marketing Manager for Park Units, small business operator for 25 years.

Miranda Sage

Position	Director and Vice Chairperson Member of the Audit/Governance committee, Marketing & Development committee and Public Relations/Media committee.
Professional qualifications	PH. C.
Experience and expertise	Former councillor and mayor of the Bass Coast Shire, Chief pharmacist at Wonthaggi Hospital.

Caroline Talbot

Position	Director and Minute Secretary Member of the Sponsorship committee and Agenda planning.
Professional qualifications	Cert III Business Administration, Justice of the Peace.
Experience and expertise	25 years school office manager, member of Community Advisory Group, Wonthaggi Regional Health.

Janice Rowlingson

Position	Director and Treasurer Member of the Audit/Governance committee and Human Resources committee.
Professional qualifications	Nil
Experience and expertise	Small business owner / operator for 5 years. 13 year experience working with a CPA firm.

Directors' report (continued)

Directors (continued)

Bruce Proctor

Position	Director Member of the Marketing and Development committee
Professional qualifications	Certificate Course in Post Office Administration
Experience and expertise	Past director of Waverly Hospital and past director of Bass Coast Regional Health.

Craig Semple

Position	Director Member of the Sponsorship committee
Professional qualifications	Registered Nurse, B Theol
Experience and expertise	Previous Registered Nurse and 2-3 years Board of East Bentleigh Community Health.

Patrick Russell

Position	Director Member of the Marketing and Development committee
Professional qualifications	Cert IV Training Diploma Management
Experience and expertise	Nil

Peter Paul

Position	Director
Professional qualifications	B.A., B. Ed., B Tech., T.P.T.C
Experience and expertise	30 year school principal, former councillor and mayor of Bass Coast Shire

Ray McNamara

Resigned 28 May 2017

Position	Director Member of the Audit Governance committee and Public Relations/Media committee
Professional qualifications	B. Eng., Masters Eng. Science, Member of IEA and Cert Prof Engineer
Experience and expertise	-

Paul Waylen

Elected 24 October 2016

Position	Director Member of the Audit Governance committee and Public Relations/Media committee
Professional qualifications	Engineer
Experience and expertise	Director of own engineering company for 40 years

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

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

Directors' report (continued)

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings	
	A	B
Terry Ashenden	13	13
Joan Matthews	13	10
Miranda Sage	13	10
Caroline Talbot	13	13
Janice Rowlingson	13	7
Bruce Proctor	13	13
Craig Semple	13	12
Patrick Russell	13	12
Peter Paul	13	11
Ray McNamara	11	8
Paul Waylen	10	7

A - The number of meetings eligible to attend.

B - The number of meetings attended.

Company Secretary

Leonie Gardiner has been the Company Secretary of San Remo District Community Financial Services Limited since 2011.

Leonie's qualifications and experience include working in office administration/management for more than 30 years.

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank**[®] branch services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Review of operations

The profit of the company for the financial year after provision for income tax was \$87,232 (2016 profit: \$90,095), which is a 3% decrease as compared with the previous year.

Dividends

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

A fully franked final dividend of 6 cents per share was paid during the 2017 year for the year ended 30 June 2016. A dividend of 6 cents per share has been declared for the year ended 30 June 2017. This is recognised as a provision.

Options

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

Significant changes in the state of affairs

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

Directors' report (continued)

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

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

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

Proceedings on behalf of company

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

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 10 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Non-audit services

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

- all non audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- none of the services undermine the general principles relating to Auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Signed in accordance with a resolution of the Board of Directors at Newhaven on 25 September 2017.



Terence S Ashenden
Director

Auditor's independence declaration



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Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of San Remo District Community Financial Services Limited.

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there has been no contraventions of:

- (i) the Auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSD Audit
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Kathie Teasdale'.

Kathie Teasdale
Partner
Bendigo
Dated: 26 September 2017



Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

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

	Notes	2017 \$	2016 \$
Revenue	2	1,983,847	1,991,352
Expenses			
Employee benefits expense	3	(1,028,200)	(1,025,210)
Depreciation and amortisation	3	(90,029)	(92,805)
Finance costs	3	(2,020)	(13,894)
Bad and doubtful debts expense	3	(1,731)	(931)
Administration and general costs		(210,009)	(215,491)
Occupancy expenses		(123,028)	(128,091)
IT expenses		(83,618)	(88,668)
Other expenses		(46,004)	(46,227)
		(1,584,639)	(1,611,317)
Operating profit before charitable donations and sponsorships		399,208	380,035
Charitable donations and sponsorships		(277,004)	(250,937)
Profit before income tax		122,204	129,098
Income tax expense	4	(34,972)	(39,003)
Profit for the year		87,232	90,095
Other comprehensive income		-	-
Total comprehensive income for the year		87,232	90,095
Profit attributable to members of the company		87,232	90,095
Total comprehensive income attributable to members of the company		87,232	90,095
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	18	5.86	6.05

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

Financial statements (continued)

Statement of Financial Position as at 30 June 2017

	Notes	2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	5	238,718	302,992
Trade and other receivables	6	146,730	133,623
Financial assets	7	174,398	170,171
Other assets	8	9,177	10,486
Total current assets		569,023	617,272
Non-current assets			
Property, plant and equipment	9	1,053,715	1,116,389
Intangible assets	10	132,173	172,842
Deferred tax assets	4	10,696	6,279
Total non-current assets		1,196,584	1,295,510
Total assets		1,765,607	1,912,782
Liabilities			
Current liabilities			
Trade and other payables	11	110,233	204,512
Current tax liability	4	30,145	24,368
Borrowings	13	30,085	56,376
Provisions	14	158,179	158,140
Total current liabilities		328,642	443,396
Non-current liabilities			
Borrowings	13	5,200	39,920
Provisions	14	4,391	-
Total non-current liabilities		9,591	39,920
Total liabilities		338,233	483,316
Net assets		1,427,374	1,429,466
Equity			
Issued capital	15	1,423,739	1,423,739
Retained earnings	16	3,635	5,727
Total equity		1,427,374	1,429,466

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

Financial statements (continued)

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

	Note	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2015		1,423,739	4,956	1,428,695
Profit for the year		-	90,095	90,095
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	90,095	90,095
Transactions with owners in their capacity as owners				
Dividends paid or provided	17	-	(89,324)	(89,324)
Balance at 30 June 2016		1,423,739	5,727	1,429,466
Balance at 1 July 2016		1,423,739	5,727	1,429,466
Profit for the year		-	87,232	87,232
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	87,232	87,232
Transactions with owners in their capacity as owners				
Dividends paid or provided	17	-	(89,324)	(89,324)
Balance at 30 June 2017		1,423,739	3,635	1,427,374

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

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		2,164,208	2,049,295
Payments to suppliers and employees		(2,049,555)	(2,083,665)
Interest paid		4,114	(13,894)
Interest received		(2,020)	7,790
Income tax (paid) / received		(33,612)	6,019
Net cash provided by / (used in) operating activities	19b	83,135	(34,455)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		12,722	10,454
Purchase of property, plant and equipment		(5,886)	(3,595)
Purchase of investments		(4,227)	(4,504)
Purchase of intangible assets		-	(88,117)
Net cash flows provided by / (used in) investing activities		2,609	(85,762)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of loans		(38,599)	(231,899)
Repayment of leases		(22,411)	(16,388)
Dividends paid		(89,008)	(59,659)
Net cash used in financing activities		(150,018)	(307,946)
Net decrease in cash held		(64,274)	(428,163)
Cash and cash equivalents at beginning of financial year		302,992	731,155
Cash and cash equivalents at end of financial year	19a	238,718	302,992

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

Notes to the financial statements

For year ended 30 June 2017

These financial statements and notes represent those of San Remo District Financial Services Limited.

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

The financial statements were authorised for issue by the Directors on 25 September 2017.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

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

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**[®] branches at San Remo, Cowes and Grantville.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank", the logo, and systems of operation of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**[®] branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**[®] branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

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

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank**[®] branches;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(b) Impairment of assets

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

(c) Goods and services tax (GST)

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

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

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

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

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

(e) Comparative figures

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

(f) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

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

Fair value assessment of non-current physical assets

The AASB 13 Fair Value standard requires fair value assessments that may involve both complex and significant judgement and experts.

Employee benefits provision

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(f) Critical accounting estimates and judgements (continued)

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset.

Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(g) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

- (i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- a) Financial assets that are debt instruments will be classified based on:
 - (i) the objective of the entity's business model for managing the financial assets; and
 - (ii) the characteristics of the contractual cash flows.
- b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.
- d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
 - the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
 - the remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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

- (i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018) (continued)

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

- (ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018)

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.”

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

- (iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019)

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for ‘on-balance sheet’ by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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

(iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019) (continued)

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

Note 2. Revenue

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

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

Rendering of services

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

Interest and other income

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

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

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

	2017	2016
	\$	\$
Revenue		
- service commissions	1,979,052	1,982,933
	1,979,052	1,982,933
Other revenue		
- interest received	4,114	7,742
- other revenue	681	677
	4,795	8,419
Total revenue	1,983,847	1,991,352

Note 3. Expenses

Operating expenses

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

Notes to the financial statements (continued)

Note 3. Expenses (continued)

Borrowing costs

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

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised leased assets, but excluding freehold land, is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of asset	Rate	Method
Buildings	2.5%	SL
Leasehold improvements	2.5% - 13%	SL
Plant and equipment	10% - 33%	SL

SL = Straight line depreciation

Gains/losses upon disposal of non-current assets

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

	2017	2016
	\$	\$
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	892,517	875,273
- superannuation costs	78,761	82,446
- other costs	56,922	67,491
	1,028,200	1,025,210
Depreciation and amortisation		
Depreciation		
- plant and equipment	20,429	25,611
- leasehold improvements	16,500	16,500
- buildings	12,431	13,546
	49,360	55,657

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 3. Expenses (continued)		
Amortisation		
- franchise fees	40,669	33,240
- establishment costs	-	3,908
	40,669	37,148
Total depreciation and amortisation	90,029	92,805
Finance costs		
- Interest paid	2,020	13,894
Bad and doubtful debts expenses	1,731	931
Loss on disposal of property, plant and equipment	6,479	2,027
Auditors' remuneration		
Remuneration of the Auditor, Richmond, Sinnott & Delahunty, for:		
- Audit or review of the financial report	5,333	4,933
- Share registry services	5,990	5,473
	11,323	10,406

Note 4. Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities are measured at the amounts expected to be paid to the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

	2017 \$	2016 \$
a. The components of tax expense comprise:		
Current tax expense	39,389	36,793
Deferred tax expense	(4,417)	2,922
Impact of change in tax rate on timing differences	-	(2,299)
Under / (over) provision of prior years	-	1,587
	34,972	39,003

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 4. Income tax (continued)		
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2016: 28.5%)	34,828	38,729
Add tax effect of:		
- Utilisation of previously unrecognised carried forward tax losses		
- Impact of change in tax rate on timing differences	144	(2,299)
- Under / (over) provision of prior years	-	1,587
- Non-deductible expenses	-	986
Income tax attributable to the entity	34,972	39,003
The applicable weighted average effective tax rate is	28.62%	30.21%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	24,368	(25,550)
Income tax paid	(33,612)	6,019
Current tax	39,389	44,611
Impact of change in tax rate on timing differences	-	(2,299)
Under / (over) provision prior years	-	1,587
	30,145	24,368
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Accruals	1,568	1,624
Employee provisions	18,890	18,404
	20,458	20,028
Deferred tax liabilities balance comprises:		
Prepayments	2,326	1,803
Property, plant & equipment	7,436	11,946
	9,762	13,749
Net deferred tax asset	10,696	6,279

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 4. Income tax (continued)		
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(430)	5,166
(Decrease) / increase in deferred tax liabilities	(3,987)	(865)
Impact of change in tax rates	-	331
Under / (over) provision prior years	-	(1,710)
	(4,417)	2,922

Note 5. Cash and cash equivalents

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

	2017 \$	2016 \$
Cash at bank and on hand	238,718	302,992
	238,718	302,992

Note 6. Trade and other receivables

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

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

	2017 \$	2016 \$
Current		
Trade receivables	145,843	132,608
Other receivables	887	1,015
	146,730	133,623

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

Notes to the financial statements (continued)

Note 6. Trade and other receivables (continued)

Credit risk (continued)

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

	Gross amount \$	Not past due \$	Past due but not impaired			Past due and impaired \$
			< 30 days \$	31-60 days \$	> 60 days \$	
2017						
Trade receivables	145,843	145,843	-	-	-	-
Other receivables	887	887	-	-	-	-
Total	146,730	146,730	-	-	-	-
2016						
Trade receivables	132,608	132,608	-	-	-	-
Other receivables	1,015	1,015	-	-	-	-
Total	133,623	133,623	-	-	-	-

Note 7. Financial assets

Classification of financial assets

The company classifies its financial assets in the following categories:

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

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Loans and receivables

This category is the most relevant to the company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Notes to the financial statements (continued)

Note 7. Financial assets (continued)

Held to maturity investments

The group classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Measurement of financial assets

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

Loans and receivables, and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

Impairment of financial assets

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Notes to the financial statements (continued)

Note 7. Financial assets (continued)

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

	2017	2016
	\$	\$
Held to maturity financial assets		
Term deposits	174,398	170,171
	174,398	170,171

Note 8. Other assets

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

	2017	2016
	\$	\$
Prepayments	6,425	6,326
Security bond	2,252	500
Borrowing costs	500	3,660
	9,177	10,486

Note 9. Property, plant and equipment

Property

Freehold land and buildings are carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of land and buildings is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of land and buildings is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

Plant and equipment

Plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

Notes to the financial statements (continued)

Note 9. Property, plant and equipment (continued)

Plant and equipment (continued)

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

	2017 \$	2016 \$
Land and Buildings		
At cost	816,513	816,513
Less accumulated depreciation	(46,408)	(33,977)
	770,105	782,536
Leasehold improvements		
At cost	422,530	422,530
Less accumulated depreciation	(188,495)	(171,995)
	234,035	250,535
Plant and equipment		
At cost	246,363	269,509
Less accumulated depreciation	(196,788)	(186,191)
	49,575	83,318
Total property, plant and equipment	1,053,715	1,116,389
Movements in carrying amounts		
Land and Buildings		
Balance at the beginning of the reporting period	782,536	796,082
Depreciation expense	(12,431)	(13,546)
Balance at the end of the reporting period	770,105	782,536
Leasehold improvements		
Balance at the beginning of the reporting period	250,535	267,035
Depreciation expense	(16,500)	(16,500)
Balance at the end of the reporting period	234,035	250,535

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 9. Property, plant and equipment (continued)		
Plant and equipment		
Balance at the beginning of the reporting period	83,318	117,813
Additions	5,887	3,995
Disposals	(19,201)	(12,879)
Depreciation expense	(20,429)	(25,611)
Balance at the end of the reporting period	49,575	83,318
Total property, plant and equipment		
Balance at the beginning of the reporting period	1,116,389	1,180,930
Additions	5,887	3,995
Disposals	(19,201)	(12,879)
Depreciation expense	(49,360)	(55,657)
Balance at the end of the reporting period	1,053,715	1,116,389

Note 10. Intangible assets

Franchise fees and Preliminary expenses have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation in the Statement of Profit or Loss and Other Comprehensive Income.

	2017 \$	2016 \$
Franchise fee		
At cost	203,343	203,343
Less accumulated amortisation	(71,170)	(30,501)
	132,173	172,842
Preliminary expenses		
At cost	78,179	78,179
Less accumulated amortisation	(78,179)	(78,179)
	-	-
Total intangible assets	132,173	172,842
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	172,842	2,739
Additions	-	203,343
Amortisation expense	(40,669)	(33,240)
Balance at the end of the reporting period	132,173	172,842

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 10. Intangible assets (continued)		
Preliminary expenses		
Balance at the beginning of the reporting period	-	3,908
Amortisation expense	-	(3,908)
Balance at the end of the reporting period	-	-
Total intangible assets		
Balance at the beginning of the reporting period	172,842	6,647
Additions	-	203,343
Amortisation expense	(40,669)	(37,148)
Balance at the end of the reporting period	132,173	172,842

Note 11. Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

	2017 \$	2016 \$
Current		
Unsecured liabilities:		
Trade creditors	13,719	7,224
Other creditors and accruals	96,514	197,288
	110,233	204,512

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

Note 12. Financial liabilities

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

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

Notes to the financial statements (continued)

Note 13. Borrowings

Loans

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

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Finance Leases

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

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

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

Operating Leases

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

	2017 \$	2016 \$
Current		
Secured liabilities		
Bank loan	23,778	40,800
Finance leases	6,307	15,576
	30,085	56,376
Non-current		
Secured liabilities		
Bank loan	-	21,578
Finance leases	5,200	18,342
	5,200	39,920
Total borrowings	35,285	96,296

(a) Bank loans

The company has a mortgage loan which is subject to normal terms and conditions. The current interest rate is 4.52%. This loan has been created to fund the purchase of the freehold property from which the Cowes branch is operated, and is secured by this property.

(b) Lease liabilities

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

Notes to the financial statements (continued)

Note 14. Provisions

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

	2017	2016
	\$	\$
Current		
Provision for dividends	93,878	93,561
Employee benefits	64,301	64,579
	158,179	158,140
Non-current		
Employee benefits	4,391	-
Total provisions	162,570	158,140

Note 15. Share capital

Ordinary shares are classified as equity.

650,011 Ordinary shares fully paid of \$1 each	650,011	650,011
436,498 Ordinary shares fully paid of \$1 each for Cowes branch	436,498	436,498
337,230 Ordinary shares fully paid of \$1 each for Grantville branch	337,230	337,230
65,000 1:10 Bonus shares issued for no consideration	-	-
	1,423,739	1,423,739

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 15. Share capital (continued)		
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	1,488,739	1,488,739
Shares issued during the year	-	-
At the end of the reporting period	1,488,739	1,488,739

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

Capital management

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

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

- (i) the Distribution Limit is the greater of:
- (a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
 - (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and
- (ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 16. Retained earnings

	2017 \$	2016 \$
Balance at the beginning of the reporting period	5,727	4,956
Profit after income tax	87,232	90,095
Dividends paid	(89,324)	(89,324)
Balance at the end of the reporting period	3,635	5,727

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 17. Dividends paid or provided for on ordinary shares		
Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 6 cents per share (2016: 6 cents) franked at the tax rate of 27.5% (2016: 30%).	89,324	89,324

A provision is made for the amount of any dividends declared, authorised and no longer payable at the discretion of the entity on or before the end of the financial year, but not distributed at balance date.

Note 18. Earnings per share

Basic earnings per share

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

	2017 \$	2016 \$
Basic earnings per share (cents)	5.86	6.05
Earnings used in calculating basic earnings per share	87,232	90,095
Weighted average number of ordinary shares used in calculating basic earnings per share.	1,488,739	1,488,739

Note 19. Statement of cash flows

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

Cash and cash equivalents (Note 5)	238,718	302,992
As per the Statement of Cash Flow	238,718	302,992

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

Profit after income tax	87,232	90,095
Non-cash flows in profit		
- Depreciation	49,360	55,657
- Amortisation	40,669	37,148
- Bad debts	1,731	-
- Net loss on disposal of property, plant & equipment	6,479	2,027

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 19. Statement of cash flows (continued)		
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(14,835)	(132,560)
- (increase) / decrease in prepayments and other assets	1,309	1,765
- (Increase) / decrease in deferred tax asset	(4,417)	(4,896)
- Increase / (decrease) in trade and other payables	(94,279)	(142,457)
- Increase / (decrease) in current tax liability	5,777	49,918
- Increase / (decrease) in provisions	4,113	8,848
Net cash flows from / (used in) operating activities	83,139	(34,455)

Note 20. Key management personnel and related party disclosures

(a) Key management personnel

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

All Director positions are held on a voluntary basis and Directors are not remunerated for their services.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

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

During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

Name of related party	Description of goods/services	Value \$
Newhaven Hardware - related party of Terry Ashenden	Purchase of adhoc hardware and supplies	3,650
Park Accommodation - related party of Joan Matthews	Rent paid in respect of branch activities.	34,391

Notes to the financial statements (continued)

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

(d) Key management personnel shareholdings

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

	2017	2016
Director		
Terry Ashenden	8,551	8,551
Joan Matthews	17,801	17,801
Miranda Sage	7,500	7,500
Caroline Talbot	3,200	3,200
Janice Rowlingson	9,900	9,900
Bruce Proctor	1,000	1,000
Craig Semple	8,000	8,000
Patrick Russell	2,000	2,000
Peter Paul	11,650	11,650
Ray McNamara	11,100	11,100
	80,702	80,702

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

(e) Other key management transactions

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

Note 21. Events after the reporting period

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

Note 22. Contingent liabilities and contingent assets

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

Note 23. Operating segments

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

Notes to the financial statements (continued)

Note 24. Commitments

Operating lease commitments

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

	2017 \$	2016 \$
Payable:		
- no later than 12 months	62,000	64,073
- between 12 months and five years	142,976	190,366
- greater than five years	-	-
Minimum lease payments	204,976	254,439

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance and with CPI and fixed increases each year.

Finance lease commitments

Finance lease liabilities are payable exclusive of GST as follows:

Payable:		
- no later than 12 months	7,233	15,578
- between 12 months and five years	5,200	22,061
- greater than five years	-	-
Minimum lease payments	12,433	37,639
Less future interest charges	(926)	(3,721)
Finance lease liability	11,507	33,918

Chattel mortgage liabilities comprise a lease of a vehicle under normal commercial terms and conditions repayable over five years.

Note 25. Company details

The registered office and principle place of business is 103A Marine Parade, San Remo VIC 3925

Note 26. Financial risk management

Financial risk management policies

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

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

Notes to the financial statements (continued)

Note 26. Financial risk management (continued)

Specific financial risk exposure and management (continued)

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 Financial Instruments: Recognition and Measurement as detailed in the accounting policies are as follows:

		2017	2016
		\$	\$
Financial assets			
Cash and cash equivalents	5	238,718	302,992
Trade and other receivables	6	146,730	133,623
Financial assets	7	174,398	170,171
Total financial assets		559,846	606,786
Financial liabilities			
Trade and other payables	11	110,233	204,512
Borrowings	13	35,285	96,296
Total financial liabilities		145,518	300,808

(a) Credit risk

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

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice.

Credit risk exposures

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

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

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

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

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Notes to the financial statements (continued)

Note 26. Financial risk management (continued)

(b) Liquidity risk (continued)

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

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

Financial liability and financial asset maturity analysis:

	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
30 June 2017					
Financial assets					
Cash and cash equivalents		238,718	238,718	-	-
Trade and other receivables		146,730	146,730	-	-
Financial assets	2.16%	174,398	174,398	-	-
Total anticipated inflows		559,846	559,846	-	-
Financial liabilities					
Trade and other payables		110,233	110,233	-	-
Borrowings	4.94%	35,285	30,085	5,200	-
Total expected outflows		145,518	140,318	5,200	-
Net inflow / (outflow) on financial instruments		414,328	419,528	(5,200)	-

	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
30 June 2016					
Financial assets					
Cash and cash equivalents		302,992	302,992	-	-
Trade and other receivables		133,623	133,623	-	-
Financial assets	2.54%	170,171	170,171	-	-
Total anticipated inflows		606,786	606,786	-	-
Financial liabilities					
Trade and other payables		204,512	204,512	-	-
Borrowings	4.99%	96,296	56,376	39,920	-
Total expected outflows		300,808	260,888	39,920	-
Net inflow / (outflow) on financial instruments		305,978	345,898	(39,920)	-

Notes to the financial statements (continued)

Note 26. Financial risk management (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the company to interest rate risk are borrowings, fixed interest securities, and cash and cash equivalents.

Sensitivity analysis

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

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

	Profit \$	Equity \$
Year ended 30 June 2017		
+/- 1% in interest rates (interest income)	4,131	4,131
+/- 1% in interest rates (interest expense)	(353)	(353)
	3,778	3,778
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	4,732	4,732
+/- 1% in interest rates (interest expense)	(963)	(963)
	4,732	4,732

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

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

Fair value estimation

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

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

Notes to the financial statements (continued)

Note 26. Financial risk management (continued)

(d) Price risk (continued)

Fair values (continued)

	2017		2016	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair Value \$
Financial assets				
Cash and cash equivalents (i)	238,718	238,718	302,992	302,992
Trade and other receivables (i)	146,730	146,730	133,623	133,623
Financial assets	174,398	174,398	170,171	170,171
Total financial assets	559,846	559,846	606,786	606,786
Financial liabilities				
Trade and other payables (i)	110,233	110,233	204,512	204,512
Borrowings	35,285	35,285	96,296	96,296
Total financial liabilities	145,518	145,518	300,808	300,808

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

Directors' declaration

In accordance with a resolution of the Directors of San Remo District Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 11 to 40 are in accordance with the Corporations Act 2001 and:
 - (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (ii) give a true and fair view of the company's financial position as at 30 June 2017 and of the performance for the year ended on that date;
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Terence S Ashenden
Director

Signed at Newhaven on 25 September 2017.

Independent audit report



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAN REMO DISTRICT FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of San Remo District Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion:

- (a) the financial report of San Remo District Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

Independence

We are independent of the entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.



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

Liability limited by a scheme approved under Professional Standards Legislation



We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

Director's Responsibility for the Financial Report

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

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

Auditor's Responsibility

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

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

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

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

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

Independent audit report (continued)



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

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

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

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

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

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

Other Information

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

RSD AUDIT
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Kathie Teasdale'.

Kathie Teasdale
Partner
Bendigo
Dated: 26 September 2017

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(BNPAR17107) (09/17)

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