

Sorell & District **Community Bank**® Branch
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www.facebook.com/SorellDistrictCommunityBankBranch
(S56052) (360666_v8) (5/10/2017)

Annual Report 2017

South East Districts Financial Services Limited



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

Chairman's report 2017

After six years of untiring effort, relentless commitment and perseverance by staff, Directors and shareholders, it is a great pleasure to report that we have secured our first full year operating profit of \$101,072.

Our community company has achieved net profits each month since April 2016, and our financial position in the 2016/17 financial year has enabled the Board to plan for our first dividend payment.

Our strength as a **Community Bank**[®] company continues to shine through with an ever-increasing number of local families, businesses and community organisations moving their financial business over to us and giving us encouragement that growth will continue strongly into the future.

The ongoing expansion of the **Community Bank**[®] network in Tasmanian communities also increases our exposure and ability to service developing markets.

We must recognise the efforts of our dedicated staff in the past year's success. Their uncanny ability to greet every customer with a smile and to remember their names is amazing.

Our Board of Directors has also continued to develop and stay on top of the continuous changes and developments within the banking industry.

Many an enjoyable day has been had with Directors and staff combining their efforts at a variety of community events.

It is exciting to realise we are now at a point in our branch's development where we can all start to see how the success of a **Community Bank**[®] company can increase the wellbeing and success of all parts of our community.

We are very proud of our ongoing support and commitment to numerous community groups and sporting organisations. By building on this strong foundation we anticipate continuing to expand the number and level of support we will be able to offer into the future.

I would like to acknowledge the input to the Board by Bob Forsyth and Taylor Montgomery who retired as Directors during the year.

The loyalty and shared vision of our shareholders also needs to be acknowledged as without your support, your business and regular referrals, our strong result would have been much more difficult to achieve.

Please keep those referrals coming. Keep spreading the word about your **Community Bank**[®] company shareholding and how banking with us makes a difference in our community.

Our long held vision for harnessing the wealth in our community to make our region stronger and more vibrant is now well and truly within our grasp.

Thank you to everyone who has continued to support our growth and development.



Kerry Vincent
Chairman

Branch Manager's report 2017

What an exciting and challenging 12 months we've had for our branch!

We began the financial year with \$94.4 million on our books and had just started to make a profit for our business. Move forward 12 months to June 2017 and we have had 5.5% growth in our loan book and 3.2% growth in our deposits, Wealth grew 150% and Business Banking/Rural Bank business grew 12.3%.

We have 2204 customers compared with 1912 last year (15.3% growth), and our teller transaction numbers over the counter have continued to increase by 7.7%. We also had significant success in helping our customers with all of their insurance needs.

We ended the financial year with total growth of \$7 million for the year and total funds under management of \$101.4 million. They are results my team and I are very proud of.

Our focus on efficiency, continuous improvement and ensuring we are meeting all the financial requirements of our customers are key factors in the solid result we have seen for the financial year.

The year was particularly challenging in the financial industry as we witnessed tightening of prudential requirements across all banks. I am proud to say Bendigo and Adelaide Bank has always had our customers' and shareholders' best interests at heart and the changes implemented haven't had a big impact on the way we assess the risk of our customers, or on our business. Our disciplined approach to writing business at prices that reflect our value proposition has also held us in good stead.

We have continued our focus on keeping our business expenses to a minimum, which has led to a number of staff changes. We operate with a small but very experienced team of banking staff who collectively have 51 years of banking experience between us.

Historically the business of a **Community Bank**[®] branch begins to change after their 5th Birthday, and we have certainly witnessed a shift in momentum. Our customers now have more confidence in our business and are expanding their financial relationships as a result. It is pleasing to see them referring friends and family following successful experiences with our branch. Shareholders who hadn't banked with us previously are bringing their banking over too. Our brand is now well known within our local community.

Lyn and I continue to volunteer our time at Okines Community House, assisting with the Dodges Ferry School breakfasts. We have continued the financial literacy program with Sorell High School and are now working with the School with a formal arrangement in place to continue this program for year 9 and 10 students. We have also attended multiple events throughout the year together with our Board.

You can keep in touch with all the great work we do in our community by following our Facebook page at www.facebook.com/SorellDistrictCommunityBankBranch.

My sincere thanks to you our shareholders, our passionate and committed Board of Directors, our loyal customers, and of course my fabulous branch team.



Louise Dine
Branch Manager

Community investment 2016-17

We are proud to contribute to our community through donations, sponsorship and in-kind support to the following organisations:

Bream Creek Show
Bream Creek Show Animal Nursery
Buckland Volunteer Fire Brigade
Campania District School
Carlton Park Surf Life Saving Club Surf
Dodges Ferry Football Club
Dodges Ferry Junior Soccer Club
Dodges Ferry Primary School awards
Dodges Ferry School Association
Dodges Ferry Volunteer Fire Brigade
Dunalley Primary School awards
Healthy Horizons family fun run
Levendale Community renewal project
Midway Point Fire Brigade
Midway Point Yacht Club
Ningana Nursing Home Fair
Okines Community House
Orielson Hall Committee
Primrose Sands Parent Group
Richmond Fire Brigade
Richmond Primary School awards
Richmond United Junior Soccer Club
Runnymede Cricket Club
Sorell High School financial literacy
Sorell Historical Society
Sorell Junior School
Sorell Junior Soccer Club
Sorell Lions Club
Sorell Rural Youth
Sorell School student awards
Sorell School Community Fair
Sorell School Farm
South East Community Band
South East Community Care
South East Districts Little Athletics Club
South East Suns Netball Club
South East United FC
Southern Beaches Regional Arts

St Johns School student awards
Storm Bay Promotions MTB events
Volunteer Fire Fighters BBQ
Winter Warmer collection (Uniting Care)
Woodsdale Football Club

In 2016 our support for the Levendale community and our youth through Edmund Rice Camps was captured in a short video for the National Community Bank® Conference. Watch Bendigo Bank – Our Purpose Edmund Rice Camps on YouTube .
www.youtube.com/watch?v=_v4ejBLhZVM

South East Districts Financial Services Limited

ABN: 50147950178

Financial Statements

30 June 2017

South East Districts Financial Services Limited

Directors' Report

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

Directors

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

Kerry John Vincent

Chairman

Occupation: Business Owner

Qualifications, experience and expertise: Kerry is the Chairman of South East Districts Financial Services LTD, Co Chairman of Sorell and Tasman affected Area Committee, Chairman of South East Trade Centre, Chairman of South East Regional Development Authority, Chair of STCA Waste Management Group, Chairman of Regional Community Learning and Development Centre- Levendale. She is also the Mayor of Sorell, Member of STCA, governance and audit. Is a owner / operator of Rural Solutions, Board Member of South East Community Care, Sorell Rotary Member and Past President. Kerry is the Vice Patron of Bream Creek Show Society and the Carlton Park Surf Lifesaving club, Patron Sorell RSL, Advisor / Board Member Edmund Rice Camps Tasmania and Pittwater Community House Board Member.

Special responsibilities: Chairman, Board recruitment and HR committee.

Interest in shares: 22,000

Anthony David Davis

Treasurer

Occupation: Public Practising Accountant

Qualifications, experience and expertise: Anthony worked for 18 years as Taxation Manager with Perpetual Trustees Tasmania Ltd before setting up in private practise as an accountant in Sorell some 17 years ago and building a significant local client base. He has been on the Board of South East Community Care Inc. for the past 14 years and is their present Treasurer. He is a Founding Member of the Business Council of Sorell and is a long standing member and past president of the Sorell Lions Club. He is also on the Board of the Regional Community Learning and Development Centre – Levendale and is their present Treasurer. He holds a current Private Pilot licence. Anthony has been married for 35 years and has two sons aged 22 and 17.

Special responsibilities: Treasurer.

Interest in shares: 10,000

Melinda Jane Reed

Secretary

Occupation: Writer/ Editor

Qualifications, experience and expertise: Now a freelance writer, editor and publisher, Melinda had a 26 year career in public administration and corporate communication with the Australian Taxation Office and was a director of CPS Credit Union 1997-2000. Melinda holds a Bachelor of Business (UTAS) and a Graduate Diploma of Public Relations (Deakin). Melinda serves as President of the Okines Community House management committee and is an active member of several local community groups.

Special responsibilities: Company Secretary

Interest in shares: Nil

Ricky Samuel Birch

Director

Occupation: Training Co-Ordinator

Qualifications, experience and expertise: Currently employed as a Training Co-Ordinator for South East Trade Training Centre at Sorell. Also work in Forestry & Fire Management industries. Brigade Chief Runnymede Fire Brigade, Board Member of Regional and Rural Learning Centre Inc., East Coast Employee Safety Representative for Tasmania Fire Service, Accredited Trainer / Assessor with Forest works and Timber Training Creswick and Treasurer of Sorell School Association. Training Instructor with Tasmania Fire Service. Has Certificate IV in Training and Assessing, Cert IV in OH&S, Cert IV Forest Operations and Cert IV in Public Safety Fire Fighting Supervision. Is married with an 12 year old son and 9 year old twins, boy & girl.

Special responsibilities: Chair of the Marketing committee

Interest in shares: 2,000

South East Districts Financial Services Limited

Directors' Report

Directors (*continued*)

Janice Maree McConnon

Director

Occupation: Farmer

Qualifications, experience and expertise: Janice is a farmer with extensive involvement in her local community. A board member of South East Community Care and Edmund Rice Camps Tasmania. Committee Member for Levendale Community Centre Management Committee, Regional Community Learning and Development Centre – Levendale Inc. and Levendale Hall Committee. Organise Farmers Forums and past Community Participation. Past Chairman, Secretary and Public Officer for Levendale Primary School 1993 – 2014. Levendale Woodsdale History Room – Founding member to set up and record oral, written and visual history of the area for future generations and for learning opportunities for students. Is on the St. Chads Church – Fundraising Committee and Fundraising for local sporting clubs. Janice holds a Diploma of Rural Business Management and Australian Institute of Company Directors – The Community Bank Director Development Program.

Special responsibilities: Minute secretary and HR committee.

Interest in shares: 2,500

Kerry Gail Degrassi

Director

Occupation: Retired

Qualifications, experience and expertise: For more than 2/3rd of her life Kerry has been involved in community development in its many forms. Kerry has served on many boards and committees during this time, some of which included Tasmanian Woman Council, P&F for 4 schools, Volunteer Fire Services, Commissioner for Children Advisory Council, Child Protection, Women Tasmania “Mentor Program”, local youth programs. Her commitment to her community continues. In 2008 Kerry was inducted on the Tasmanian Honour of Women for her contribution to the State of Tasmania. Kerry is now in her 21st year as a Councillor, she has also served a term as Mayor. In 1997 Kerry became the inaugural President of Okines Community House Working Party and continues to serve on the Board and has held several executive roles. In 2015 Kerry's partner of 42 years passed away. She has 4 adult children and 3 grandchildren.

Special responsibilities: Nil

Interest in shares: 1,500

Aaron Graham Millar

Director

Occupation: Electrical Projects Manager

Qualifications, experience and expertise: Aaron has worked in a number of areas within the electrical industry, firstly as a draftsman, then qualifying as an electrical engineer and finally completing his electrical trade certificate. Aaron currently works for a large state-wide, Tasmanian owned electrical contractor. Aaron is Brigade Chief of the Dunalley Volunteer Fires Brigade and works after hours as a training instructor for the TFS.

Special Responsibilities: Nil

Interest in Shares: 5,000

Anita May Nutting

Director (*Appointed 26 July 2016*)

Occupation: Executive Assistant

Qualifications, experience and expertise: Anita holds a Certificate in Community Services together with Diplomas in Business Management and Human Resources. She has a corporate personal assistant and human resources employment background including a period in Corporate and Commercial Law at one of the State's largest law firms. Anita has strong personal networks in the Southern Beaches area, is a member of Southern Eastern Community Care, Sorell Historical Society, Child Health Association's Tasmania and Playgroup Tasmania. She is a current volunteer at The Haven parenting room and a past volunteer for Camp Quality and Red Cross.

Special responsibilities: Nil

Interest in shares: Nil

South East Districts Financial Services Limited

Directors' Report

Directors (*continued*)

Darryn John Charles Scott

Director (*Appointed 31 August 2016*)

Occupation: Southern Manager Vos Construction and Joinery

Qualifications, experience and expertise: Worked 32 years with a large construction company in Tasmania, has been a manager for 10 years and responsible for an average \$70million of work per year. Executive member of Vos Construction and Joinery board for past 10 years. Chairman of the construction committee of the Master Builders of Tasmania, member of the Master Builders of Tasmania. Member of the advisory of the SETTC and previous member and treasurer of Sorell Rural Youth. Licenced building practitioner in Tasmania and Queensland with unrestricted licence. Certificate 1V in Business, Certificate 1V in Frontline Management and Certificate III in Carpentry and Joinery.

Special responsibilities: Nil

Interest in shares: Nil

Scott Alexander Gatehouse

Director (*Appointed 31 August 2016*)

Occupation: Production Manager

Qualifications, experience and expertise: Scott is currently the Production Manager at Skretting Australia and have worked in Operations Management for over 15 years. Studied a postgraduate Diploma of Management Studies at the University of Lincoln (UK). Heavily involved in the local community as a Leading Firefighter and Junior Coordinator at Wattle Hill Fire Brigade, Scott has been Arena Manager for South East Districts Little Athletics Centre, a member of South East Districts Community Band and previously had involvement with Rural Youth, Agfest and local show committees.

Special responsibilities: Nil

Interest in shares: 1,000

Robert Bruce Forsyth

Director (*Resigned 29 November 2016*)

Occupation: Retired

Qualifications, experience and expertise: Robert was a former manager-director of wholesale products with 20 years experience. Previously manager of a plastics company. Today he volunteers at Sorell Tourist Information Centre, helps out at Causeway Club, is a founding member of Municipal Officer Association 1988, licensed member of G.A.M.S, member of the Special Responsibilities: Member of the Marketing Committee.

Interest in shares: 22,000

Sean Mitchell Vincent

Director (*Resigned 30 August 2016*)

Occupation: Centre Team Assistant - Red Cross Blood Service

Qualifications, experience and expertise: Sean's current Human resource/ assistant role within the Australian Red Cross Blood Service is in the largest donor centre in Australia, rostering staff of between 65-75 and implementing innovative ideas into a workplace. He is involved in the Rotary Club of Sorell, South East Basketball Association, Clifton & Carlton Surf Life Saving Clubs and communications with Southern Business Group, providing a range of connections with the extended community. Sean has completed his bachelor degree with commerce, criminology and law. As of 2015 he started his Masters of Business Administration focusing in Human Resources.

Special Responsibilities: Marketing committee.

Interest in Shares: 1,000

South East Districts Financial Services Limited

Directors' Report

Directors (*continued*)

Brian Keith Mitchell

Director (*Resigned 26 July 2016*)

Occupation: Member of Parliament

Qualifications, experience and expertise: My election to federal parliament on July 2 as the new Member for Lyons necessitated my regretful resignation from the Board, effective July 26. My former occupations were media consultant (eight years), newspaper editor and journalist (18 years) and political adviser (2 years). I continue to volunteer with Brighton's Dining with Friends and have previously volunteered with the Causeway Club in Sorell and the Online Access Centre in Richmond. My tertiary qualifications are in Journalism and Politics (via a Bachelor of Arts, English). My skills are written communication, print media production and design (eg, brochures) and corporate strategy. I have assisted with the branch's

Special responsibilities: Member of the Marketing Committee.

Interest in shares: Nil

Taylor Samuel Montgomery

Director (*Resigned 30 May 2017*)

Occupation: Automotive Team Manager

Qualifications, experience and expertise: After completing a mechanical apprenticeship with Motors Derwent Park, Taylor is now a Team Manager. Taylor is a fire fighter and treasurer at Orielson Volunteer Fire Brigade, president of the Orielson Hall Committee and has recently begun training to become a Volunteer Ambulance Officer in the Sorell district.

Special responsibilities: Nil

Interest in shares: Nil

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

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

Company Secretary

The company secretary is Melinda Reed. Melinda was appointed to the position of secretary on 31 March 2014.

Melinda is currently a writer and editor. She has 26 years experience in public administration and corporate communication and was a director of the CPS Credit Union between 1997 and 2000. She holds a Bachelor of Business and is involved in many local community groups.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2017	Year ended 30 June 2016
\$	\$
239,267	(7,889)

South East Districts Financial Services Limited

Directors' Report

Dividends

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

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

Indemnification and insurance of directors and officers

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

South East Districts Financial Services Limited

Directors' Report

Directors' meetings

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

	Directors' Meetings	
	<u>Eligible</u>	<u>Attended</u>
Kerry John Vincent	11	10
Anthony David Davis	11	11
Melinda Jane Reed	11	11
Ricky Samuel Birch	11	9
Janice Maree McConnon	11	10
Kerry Gail Degrassi	11	5
Aaron Graham Millar	11	10
Anita May Nutting (<i>Appointed 26 July 2016</i>)	8	5
Darryn Scott (<i>Appointed 31 August 2016</i>)	10	9
Scott Alexander Gatehouse (<i>Appointed 31 August 2016</i>)	10	9
Robert Bruce Forsyth (<i>Resigned 29 November 2016</i>)	4	4
Sean Mitchell Vincent (<i>Resigned 30 August 2016</i>)	2	-
Brian Keith Mitchell (<i>Resigned 26 July 2016</i>)	-	-
Taylor Samuel Montgomery (<i>Resigned 30 May 2017</i>)	10	3

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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

Non audit services

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

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

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

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

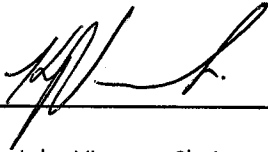
South East Districts Financial Services Limited

Directors' Report

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

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



Kerry John Vincent, Chairman

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of South East Districts Financial Services Limited

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

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



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



David Hutchings
Lead Auditor

South East Districts Financial Services Limited
Statement of Profit or Loss and Other
Comprehensive Income
for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue from ordinary activities	4	663,206	579,261
Employee benefits expense		(316,052)	(343,009)
Charitable donations, sponsorship, advertising and promotion		(14,987)	(14,105)
Occupancy and associated costs		(82,224)	(71,430)
Systems costs		(29,702)	(35,798)
Depreciation and amortisation expense	5	(33,256)	(39,560)
Finance costs	5	(6)	(580)
General administration expenses		(85,907)	(82,668)
Profit/(loss) before income tax credit		101,072	(7,889)
Income tax credit	6	138,195	-
Profit/(loss) after income tax credit		239,267	(7,889)
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		239,267	(7,889)
Earnings per share		¢	¢
Basic earnings per share	20	27.15	(0.90)

The accompanying notes form part of these financial statements

South East Districts Financial Services Limited
 Balance Sheet
 as at 30 June 2017

	Notes	2017 \$	2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	135,686	16,596
Trade and other receivables	8	39,595	23,806
Total Current Assets		175,281	40,402
Non-Current Assets			
Property, plant and equipment	9	120,564	135,862
Intangible assets	10	58,200	7,334
Deferred tax asset	11	138,195	-
Total Non-Current Assets		316,959	143,196
Total Assets		492,240	183,598
LIABILITIES			
Current Liabilities			
Trade and other payables	12	41,350	17,990
Total Current Liabilities		41,350	17,990
Non-Current Liabilities			
Trade and other payables	12	46,015	-
Total Non-Current Liabilities		46,015	-
Total Liabilities		87,365	17,990
Net Assets		404,875	165,608
Equity			
Issued capital	13	847,158	847,158
Accumulated losses	14	(442,283)	(681,550)
Total Equity		404,875	165,608

The accompanying notes form part of these financial statements

South East Districts Financial Services Limited
Statement of Changes in Equity
for the year ended 30 June 2017

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2015	847,158	(673,661)	173,497
Total comprehensive income for the year	-	(7,889)	(7,889)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2016	847,158	(681,550)	165,608
Balance at 1 July 2016	847,158	(681,550)	165,608
Total comprehensive income for the year	-	239,267	239,267
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2017	847,158	(442,283)	404,875

The accompanying notes form part of these financial statements

South East Districts Financial Services Limited
Statement of Cash Flows
for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		715,903	638,496
Payments to suppliers and employees		(581,298)	(595,720)
Interest received		106	-
Interest paid		(6)	(580)
Net cash provided by operating activities	15	134,705	42,196
Cash flows from investing activities			
Payments for property, plant and equipment		(1,670)	-
Payments for intangible assets		(13,945)	-
Net cash used in investing activities		(15,615)	-
Cash flows from financing activities			
Repayment of borrowings		-	(1,838)
Net cash used in financing activities		-	(1,838)
Net increase in cash held		119,090	40,358
Cash and cash equivalents at the beginning of the financial year		16,596	(23,762)
Cash and cash equivalents at the end of the financial year	7(a)	135,686	16,596

The accompanying notes form part of these financial statements

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

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

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

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

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2017

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

a) Basis of preparation (*continued*)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

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

- design, layout and fit out of the **Community Bank®** branch
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

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

b) Revenue

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

Revenue calculation

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

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

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2017

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

b) Revenue (*continued*)

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Commission

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

Fee income

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

Discretionary financial contributions

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

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

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

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

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2017

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

b) Revenue (*continued*)

Ability to change financial return

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

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

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2017

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

c) Income tax (*continued*)

Deferred tax (continued)

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

- leasehold improvements	40	years
- plant and equipment	2.5 - 40	years
- motor vehicles	3 - 5	years

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments*Recognition and initial measurement*

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

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

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

*Classification and subsequent measurement**(i) Loans and receivables*

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

(ii) Financial liabilities

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

Impairment

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

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2017

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

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) Provisions

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

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2017

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2017 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2017

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

Impairment of assets (continued)

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

Note 4. Revenue from ordinary activities	2017	2016
	\$	\$
Operating activities:		
- gross margin	450,328	304,494
- services commissions	132,453	180,707
- fee income	48,402	44,060
- market development fund	31,667	50,000
Total revenue from operating activities	<u>662,850</u>	<u>579,261</u>
Non-operating activities:		
- interest received	106	-
- other revenue	250	-
Total revenue from non-operating activities	<u>356</u>	<u>-</u>
Total revenues from ordinary activities	<u>663,206</u>	<u>579,261</u>

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	2,421	3,013
- leasehold improvements	11,594	11,594
- motor vehicle	2,953	2,953
Amortisation of non-current assets:		
- franchise agreement	2,159	2,000
- franchise renewal fee	7,462	20,000
- establishment fee	6,667	-
	<u>33,256</u>	<u>39,560</u>
Finance costs:		
- interest paid	<u>6</u>	<u>580</u>
Bad debts	<u>8,436</u>	<u>701</u>
	1 (a)	

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2017

Note 6. Income tax expense/(credit)	2017	2016
	\$	\$
The components of tax expense/(credit) comprise:		
- Future income tax benefit attributable to losses	-	(256)
- Movement in deferred tax	525	6,346
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	6,109
- Recoupment of prior year tax losses	29,286	-
- Tax losses not brought to account	-	(12,199)
- Future income tax benefit attributable to losses brought to account	(168,006)	-
	<u>(138,195)</u>	<u>-</u>
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense/(credit) as follows		
Operating profit/(loss)	101,072	(7,889)
Prima facie tax on profit/(loss) from ordinary activities at 27.5% (2016: 28.5%)	27,794	(2,249)
Add tax effect of:		
- non-deductible expenses	2,017	6,270
- timing difference expenses	(525)	(1,851)
- other deductible expenses	-	(2,426)
	<u>29,286</u>	<u>(256)</u>
Movement in deferred tax	525	6,346
Adjustment to deferred tax to reflect change of tax rate in future periods	(168,006)	6,109
Under/(Over) provision of income tax in the prior year	-	(12,199)
	<u>(138,195)</u>	<u>-</u>
Future income tax benefits arising from tax losses are not recognised at reporting date as realisation of the benefit is not regarded as virtually certain. Future income tax benefit carried forward is:	<u>-</u>	<u>175,012</u>

Note 7. Cash and cash equivalents

Cash at bank and on hand	<u>135,686</u>	<u>16,596</u>
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Note 7.(a) Reconciliation to cash flow statement

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

Cash at bank and on hand	<u>135,686</u>	<u>16,596</u>
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South East Districts Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2017

Note 8. Trade and other receivables	2017	2016
	\$	\$
Trade receivables	35,245	22,870
Prepayments	4,350	936
	<u>39,595</u>	<u>23,806</u>

Note 9. Property, plant and equipment		
<i>Land and buildings</i>		
Leasehold improvements		
At cost	164,334	164,334
Less accumulated depreciation	(65,219)	(53,625)
	<u>99,115</u>	<u>110,709</u>
Plant and equipment		
At cost	45,291	43,621
Less accumulated depreciation	(30,697)	(28,276)
	<u>14,594</u>	<u>15,345</u>
Motor vehicles		
At cost	23,627	23,627
Less accumulated depreciation	(16,772)	(13,819)
	<u>6,855</u>	<u>9,808</u>
Total written down amount	<u>120,564</u>	<u>135,862</u>

Movements in carrying amounts:

Leasehold improvements		
Carrying amount at beginning	110,709	122,303
Additions	-	-
Disposals	-	-
Less: depreciation expense	(11,594)	(11,594)
Carrying amount at end	<u>99,115</u>	<u>110,709</u>
Plant and equipment		
Carrying amount at beginning	15,345	18,358
Additions	1,670	-
Disposals	-	-
Less: depreciation expense	(2,421)	(3,013)
Carrying amount at end	<u>14,594</u>	<u>15,345</u>
Motor vehicles		
Carrying amount at beginning	9,808	12,761
Additions	-	-
Disposals	-	-
Less: depreciation expense	(2,953)	(2,953)
Carrying amount at end	<u>6,855</u>	<u>9,808</u>
Total written down amount	<u>120,564</u>	<u>135,862</u>

South East Districts Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2017

Note 10. Intangible assets	2017	2016
	\$	\$
Franchise fee		
At cost	21,192	10,000
Less: accumulated amortisation	(11,492)	(9,333)
	<u>9,700</u>	<u>667</u>
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(93,333)
	<u>-</u>	<u>6,667</u>
Renewal processing fee		
At cost	55,961	-
Less: accumulated amortisation	(7,461)	-
	<u>48,500</u>	<u>-</u>
Total written down amount	<u>58,200</u>	<u>7,334</u>

Note 11. Tax

Non-Current:

Deferred tax assets		
- accruals	715	-
- tax losses carried forward	144,170	-
	<u>144,885</u>	<u>-</u>
Deferred tax liability		
- property, plant and equipment	6,690	-
	<u>6,690</u>	<u>-</u>
Net deferred tax asset	<u>138,195</u>	<u>-</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>(138,195)</u>	<u>-</u>

Note 12. Trade and other payables

Current:

Trade creditors	4,620	972
Other creditors and accruals	36,730	17,018
	<u>41,350</u>	<u>17,990</u>

Non-Current:

Other creditors and accruals	<u>46,015</u>	<u>-</u>
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South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2017

Note 13. Contributed equity	2017	2016
	\$	\$
881,212 ordinary shares fully paid (2016: 881,212)	881,212	881,212
Less: equity raising expenses	(34,054)	(34,054)
	<u>847,158</u>	<u>847,158</u>

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

Rights attached to shares (continued)

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 299. As at the date of this report, the company had 331 shareholders.

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2017

Note 13. Contributed equity (continued)

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

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

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

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

Note 14. Accumulated losses	2017	2016
	\$	\$
Balance at the beginning of the financial year	(681,550)	(673,661)
Net profit/(loss) from ordinary activities after income tax	239,267	(7,889)
Balance at the end of the financial year	<u>(442,283)</u>	<u>(681,550)</u>

Note 15. Statement of cash flows

Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by operating activities

Profit/(loss) from ordinary activities after income tax	239,267	(7,889)
Non cash items:		
- depreciation	16,968	17,560
- amortisation	16,288	22,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(15,789)	4,553
- (increase)/decrease in other assets	(191,404)	-
- increase/(decrease) in payables	69,375	5,972
Net cash flows provided by operating activities	<u>134,705</u>	<u>42,196</u>

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Leases	2017	2016
	\$	\$
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	70,530	66,400
- between 12 months and 5 years	240,978	-
	<u>311,508</u>	<u>66,400</u>

The operating lease is a non-cancellable lease with a second five-year term commenced from 1 November 2016 to 30 October 2021 with one further five-year option available. Rent is payable monthly in advance and increases annually by CPI.

Note 17. Auditor's remuneration		
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,200	4,100
- share registry services	1,885	1,800
- non audit services	1,960	1,900
	<u>8,045</u>	<u>7,800</u>

Note 18. Director and related party disclosures

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

Kerry John Vincent
 Anthony David Davis
 Melinda Jane Reed
 Ricky Samuel Birch
 Janice Maree McConnon
 Kerry Gail Degrassi
 Aaron Graham Millar
 Anita May Nutting (*Appointed 26 July 2016*)
 Darryn Scott (*Appointed 31 August 2016*)
 Scott Alexander Gatehouse (*Appointed 31 August 2016*)
 Robert Bruce Forsyth (*Resigned 29 November 2016*)
 Sean Mitchell Vincent (*Resigned 30 August 2016*)
 Brian Keith Mitchell (*Resigned 26 July 2016*)
 Taylor Samuel Montgomery (*Resigned 30 May 2017*)

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

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2017

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

Directors Shareholdings	<u>2017</u>	<u>2016</u>
Kerry John Vincent	22,000	22,000
Anthony David Davis	10,000	10,000
Melinda Jane Reed	-	-
Ricky Samuel Birch*	2,000	2,000
Janice Maree McConnon	2,500	2,500
Kerry Gail Degrassi	1,500	1,500
Aaron Graham Millar	5,000	5,000
Anita May Nutting <i>(Appointed 26 July 2016)</i>	-	-
Darryn Scott <i>(Appointed 31 August 2016)</i>	-	-
Scott Alexander Gatehouse <i>(Appointed 31 August 2016)</i>	1,000	-
Robert Bruce Forsyth <i>(Resigned 29 November 2016)</i>	22,000	22,000
Sean Mitchell Vincent <i>(Resigned 30 August 2016)</i>	1,000	1,000
Brian Keith Mitchell <i>(Resigned 26 July 2016)</i>	-	-
Taylor Samuel Montgomery <i>(Resigned 30 May 2017)</i>	-	-

* 1,500 shares held in trust.

There was movement in directors shareholdings during the year.

Note 19. Key management personnel disclosures

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

There are no executives within the company whose remuneration is required to be disclosed.

Community Bank® Directors' Privileges Package

The board has adopted the **Community Bank®** Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank®** branch at Sorell, Tasmania. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the directors from the Directors' Privilege Package did not exceed \$500 for the year ended 30 June 2017 (2016: \$nil).

Note 20. Earnings per share	<u>2017</u>	<u>2016</u>
	\$	\$
(a) Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	239,267	(7,889)
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	881,212	881,212

Note 21. Events occurring after the reporting date

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

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2017

Note 22. Contingent liabilities and contingent assets

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

Note 23. Segment reporting

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

Note 24. Registered office/Principal place of business

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

Registered Office
4 Ollie Drive
Sorell TAS 7172

Principal Place of Business
4 Ollie Drive
Sorell TAS 7172

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2017

Note 25. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
			2017	2016	2017	2016	2017	2016				
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%	
Financial assets												
Cash and cash equivalents	135,686	16,596	-	-	-	-	-	-	-	-	0.15	4.14
Receivables	-	-	-	-	-	-	-	-	35,245	22,870	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	4,620	972	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2017	2016
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	1,357	166
Decrease in interest rate by 1%	(1,357)	(166)
Change in equity		
Increase in interest rate by 1%	1,357	166
Decrease in interest rate by 1%	(1,357)	(166)

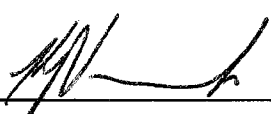
South East Districts Financial Services Limited Directors' Declaration

In accordance with a resolution of the directors of South East Districts Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



Kerry John Vincent, Chairman

Signed on the 25th of August 2017.

Independent auditor's report to the members of South East Districts Financial Services Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of South East Districts Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards.

What we have audited

South East Districts Financial Services Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

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

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

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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



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



David Hutchings
Lead Auditor