
# Annual Report 2017

## Strathmore Community Services Limited

ABN 84 096 122 459

Strathmore **Community Bank**® Branch

# Contents

# Chairman's report

## For year ending 30 June 2017

Dear Shareholder,

It is with great pleasure and honour that I present to you the 16th Annual report for Strathmore Community Services Limited and my first as your Chairman. I would like to thank Peter McKie, our previous Chairman. Peter's work ethic and commitment during his time as Chairman was unbelievable. Peter has remained on the Board as our Secretary.

During October 2016 a number of our Directors attended the Bendigo and Adelaide Bank National **Community Bank®** Conference in Hobart. Prior to the Conference we nominated ourselves to be inducted into the Bendigo Bank Hall of Fame and at the conference we were lucky enough to be one of the winners. It was a very proud moment for the past and present Directors and the staff of our Bank. This award is given by Bendigo and Adelaide Bank to **Community Bank®** branches that have excelled within their communities.

During December, our Manager Phil Stewart resigned to take up position with another **Community Bank®** branch. Phil had been with us for 6 years and we would like to thank him for his efforts while he was with us.

At the start of January, Helen Morrison our Assistant Manager decided that she would like to retire. We would also like to thank Helen for her hard work and dedication. Helen was one of our original staff who was there when we opened the door for the very first day of operating and has helped us grow to the great business we are today.

As a result of the two resignations we employed David Porter as our new Manager and he started with us in March. David joined us from the People's Choice Credit Union at Highpoint and has lots of banking experience. He was forced to hit the ground running performing interviews for the new Assistant Manager before he actually started with us.

Malcolm Turvey our last remaining original staff member from day one, that is still working with us was selected as our new Assistant Manager.

We have recently also been joined by Amber, Janette and Lisa and we welcome them and hope they enjoy their stays with us.

I would like to personally thank my fellow Board members for their tireless work during the year. Also, all of our fantastic staff who do a wonderful job at our branch.

Lastly, I would like to report we have had another fantastic and successful year and I would like to thank our shareholders and customers for their contributions to these results. I am now looking forward to continuing to work together to make Strathmore **Community Bank**® Branch the best **Community Bank**® branch in Australia.

Peter J. Brown JP

**Peter J Brown JP**
**Chairman**

# Manager's report

## For year ending 30 June 2017

The financial year ending June 2017 proved to be another successful year at Strathmore **Community Bank**® Branch. The total business as at 30 June 2017 stood at $341.9 million. This figure is made up of $129.27 million in lending and $212.63 million in deposits on our book. The business grew by $39.7 million for the year, which was an outstanding result against an annual budget of $30 million.

The business has evolved to ensure we now get 'bang for our buck'. This is being done by engaging with the organisations we support to ensure business is coming back to the branch. All staff, but in particular Aaron Hawkins, and myself are being seen at their clubs, societies, meetings and functions.

There have been a few changes at the branch. We saw Philip Stewart leave us after more than six years to pursue other career opportunities with Bendigo Bank. Helen Morrison retired. This saw the appointment of myself as the new Branch Manager in March 2017. In addition the branch saw the internal promotion of Malcolm Turvey, Hayley Faria and Edwina Baxter to new roles, congratulations to them all. We also welcomed a new staff member, Amber Davey who started with us in May 2017, welcome Amber.

The banking world is becoming more regulated with the government tightening the laws on the banking industry and more specifically property investment lending and this has led to higher interest rates and in some cases the inability to lend some investors any money at all. We would expect this regulation to continue for the foreseeable future.

Since my commencement with the branch the one piece of constant feedback I have received is about the great service that customers receive. The staff certainly have this front of mind when dealing with all customers and potential customers. I would like to thank them for their commitment.

I would also like to thank our Board of Directors for their support, time and effort in helping make the Strathmore **Community Bank**® Branch one of the most successful **Community Bank**® branches in the country.

I would like to thank you our shareholders, it is your support that has made us what we are today.

**David Porter**
**Branch Manager**

# Secretary’s report

## For year ending 30 June 2017

Again we have had a successful financial year and to fully celebrate our 15th Birthday provided to shareholders a 20 cent fully franked dividend. This brings total dividends paid to shareholders since inception to $729,000.

In the financial year 20/2017 “your bank” gave away $905,117 to in excess of 200 various community organizations.

As we continue to grown our **Community Bank**® branch and extend our sphere of customers it is essential that thanks go to our dedicated team at the branch.

With the resignation of Philip Stewart, the Board appointed David Porter to this position and upon Helen’s retirement key staff were accordingly upgraded. This has resulted in a smooth transition which has enabled our service levels to be maintained.

The employment of Aaron Hawkins as our Business Development Manager has far exceeded our expectations with the result that our current business is now in excess of $342 million.

The Company Secretary provides guidance to Directors and management on matters including:-

- ASX listing rules
- ASIC compliance
- Employments laws:
- Workplace, Health and Safety requirements
- Superannuation and Insurance
- Accounting standards
- Maintenance of share/options registry and management of the dividend payments.

Strathmore Community Services Limited continues to fulfill all requirements in compliance of the above items.

The recent National **Community Bank®** Conference of Bendigo and Adelaide Bank in Adelaide reinforced the view that “Banking” as we know it is changing so dramatically that it is a constant challenge to meet these changes.

The “Bank” of the future will operate through smaller branches and have a greater reliance with on-line systems. Currently the situation is that the majority of **Community Bank**® branches are seeing a dramatic drop in branch visits as business is being done on-line.

Strathmore Community Services Limited is however committed to maintaining the level of service that is currently provided at our branch in Napier Street.

**Peter D McKie**
**Company Secretary**

# 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 Strathmore Community Services Limited during or since the end of the financial year up to the date of this report:

| | |
|---|---|
| **Peter Brown** | |
| (Appointed 18 October 2005) | |
| Experience and expertise | Newsagent with experience in management and law. |
| Special responsibilities | Chairperson |
| **Peter McKie** | |
| (Appointed 21 October 2003) | |
| Experience and expertise | Company Director with an excess of 40 years experience in management, marketing, sales and logistics. Former President of Victorian Customs Association and Senior Lecturer (part-time) in International Trade at TAFE. |
| Special responsibilities | Company Secretary |
| **Glenn Clements** | |
| (Appointed 11 March 2014) | |
| Experience and expertise | Manager with 30 years experience in sales, marketing, importing, promotions and Staff management. |
| Special responsibilities | Treasurer |
| **Craig Jenkins** | |
| (Appointed 15 July 2009) | |
| Experience and expertise | Company Director with extensive experience in manufacturing, management, credit management on all facets. Chairman of various Trade groups over the last 35 years. |
| Special responsibilities | Nil |
| **Kerri Osborne** | |
| (Appointed 13 May 2009) | |
| Experience and expertise | Education Consultant with experience as a Primary School Teacher, followed by many years as an Education Consultant/Teacher and Store management. |
| Special responsibilities | Nil |
| **Michael Garafillis** | |
| (Appointed 13 May 2009) | |
| Experience and expertise | Sales & Marketing Manager with extensive sales and marketing experience. |
| Special responsibilities | Nil |
| **Phillip Arnold Lusher** | |
| (Appointed 11 March 2014) | |
| Experience and expertise | Government Accounting and extensive management experience, legal preparation and analytical research. |
| Special responsibilities | 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.

# Directors’ report (continued)

**Directors’ meetings**

Attendances by each Director during the year were as follows:

| Director | Board meetings | | Audit Committee meetings | |
|---|---|---|---|---|
| | A | B | A | B |
| Peter McKie | 13 | 11 | 3 | 3 |
| Glenn Clements | 13 | 11 | 3 | 3 |
| Craig Jenkins | 13 | 8 | N/A | N/A |
| Peter Brown | 13 | 13 | 3 | 3 |
| Kerri Osborne | 13 | 13 | N/A | N/A |
| Michael Garafillis | 13 | 12 | N/A | N/A |
| Phillip Lusher | 13 | 11 | N/A | N/A |

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

**Company Secretary**

Peter Mckie has been the Company Secretary of Strathmore Community Services Limited since 17 November 2016.

Peter’s qualifications and experience include owning and operating his own business and has held responsible positions for a number of community groups.

**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 $30,983 (2016 profit: $4,772), which is an increase as compared with the previous year of $26,211. Donations and Sponsorships for the year were $905,117 (2016: $792,558).

**Dividends**

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

A fully franked final dividend of 20 cents per share was declared and paid during 2017 for the year ended 30 June 2016.

No dividends were declared for the year ended 30 June 2017.

**Options**

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

### Significant changes in the state of affairs

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

### Events subsequent to the end of the reporting period

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

### Likely developments

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

### Environmental regulations

The company is not subject to any significant environmental regulation.

### Indemnifying Officers or Auditor

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

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

### Proceedings on behalf of company

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

### Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 8 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

### Non-audit services

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

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

Signed in accordance with a resolution of the Board of Directors at Strathmore on 19 September 2017.

**Peter Brown**
**Director**

# Auditor's independence declaration

McBain
McCartin & Co

Chartered Accountants
Audit & Assurance Services

PO Box 82 Balwyn
Victoria, Australia 3103
ABN 26 028 714 960

**AUDITOR'S INDEPENDENCE DECLARATION**
**UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**
**TO THE DIRECTORS OF STRATHMORE COMMUNITY SERVICES LIMITED**

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

i) the auditor's 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.

**McBain McCartin & Co**
***Chartered Accountants***

**Simon Aukstin (CA)**
***Partner***

123 Whitehorse Road,
BALWYN VIC 3103

Dated this 19th September 2017

# Financial statements

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

| | Notes | 2017 $ | 2016 $ |
|---|---|---|---|
| Revenue | 2 | 2,179,811 | 1,956,129 |
| **Expenses** | | | |
| Employee benefits expense | 3 | (719,947) | (699,405) |
| Depreciation and amortisation | 3 | (49,021) | (45,713) |
| Finance costs | 3 | (2,965) | (4,006) |
| Bad and doubtful debts expense | 3 | (269) | (256) |
| Occupancy expenses | | (101,901) | (97,583) |
| IT costs | | (74,109) | (52,415) |
| Marketing expenses | | (102,907) | (83,739) |
| Other expenses | | (190,347) | (175,682) |
| **Operating profit before charitable donations and sponsorships** | | **938,345** | **797,330** |
| Charitable donations and sponsorships | | (905,117) | (792,558) |
| **Profit before income tax** | | **33,228** | **4,772** |
| Income tax expense | 4 | 2,245 | - |
| **Profit for the year** | | **30,983** | **4,772** |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year** | | **30,983** | **4,772** |
| Profit attributable to members of the company | | 30,983 | 4,772 |
| **Total comprehensive income attributable to members of the company** | | **30,983** | **4,772** |

| | | | |
|---|---|---|---|
| **Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):** | | | |
| - basic earnings per share | | 6.32 | 0.97 |

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

## Statement of Financial Position
## as at 30 June 2017

| | Notes | 2017 $ | 2016 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 5 | 60,547 | 43,952 |
| Trade and other receivables | 6 | 232,603 | 182,728 |
| Financial assets | 7 | 1,108,827 | 1,105,887 |
| Other assets | 8 | 3,804 | 317,905 |
| **Total current assets** | | **1,405,781** | **1,650,472** |
| **Non-current assets** | | | |
| Plant and equipment | 9 | 243,958 | 260,260 |
| Intangible assets | 10 | 41,422 | - |
| Deferred tax assets | 4 | 2,740 | 4,985 |
| **Total non-current assets** | | **288,120** | **265,245** |
| **Total assets** | | **1,693,901** | **1,915,717** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 11 | 145,789 | 56,171 |
| Borrowings | 12 | 9,912 | 258,498 |
| Provisions | 13 | 40,086 | 46,383 |
| **Total current liabilities** | | **195,787** | **361,052** |
| **Non-current liabilities** | | | |
| Borrowings | 12 | 16,644 | 26,555 |
| Provisions | 13 | 20,349 | 10,043 |
| **Total non-current liabilities** | | **36,993** | **36,598** |
| **Total liabilities** | | **232,780** | **397,650** |
| **Net assets** | | **1,461,121** | **1,518,067** |
| **Equity** | | | |
| Issued capital | 14 | 490,010 | 490,010 |
| Retained earnings | 15 | 971,111 | 1,028,057 |
| **Total equity** | | **1,461,121** | **1,518,067** |

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

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

| | Note | Issued capital $ | Retained earnings $ | Total equity $ |
|---|---|---|---|---|
| Balance at 1 July 2015 | | 490,010 | 1,072,286 | 1,562,296 |
| Profit for the year | | - | 4,772 | 4,772 |
| **Transactions with owners, in their capacity as owners** | | | | |
| Dividends paid or provided | 24 | - | (49,001) | (49,001) |
| **Balance at 30 June 2016** | | **490,010** | **1,028,057** | **1,518,067** |
| Balance at 1 July 2016 | | 490,010 | 1,028,057 | 1,518,067 |
| Prior Year Interest Adjustment | 1(s) | | 10,073 | 10,073 |
| Profit for the year | | - | 30,983 | 30,983 |
| **Transactions with owners, in their capacity as owners** | | | | |
| Dividends paid or provided | 24 | - | (98,002) | (98,002) |
| **Balance at 30 June 2017** | | **490,010** | **971,111** | **1,461,121** |

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

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

| | Notes | 2017 $ | 2016 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 2,122,610 | 2,094,024 |
| Payments to suppliers and employees | | (1,686,868) | (2,237,492) |
| Interest paid | | (2,965) | (4,006) |
| Interest received | | 17,398 | 35,547 |
| **Net cash used in operating activities** | **16b** | **450,175** | **(111,927)** |
| **Cash flows from investing activities** | | | |
| Purchase of plant and equipment | | (17,657) | (36,550) |
| Purchase of intangible assets | | (56,484) | - |
| **Net cash flows used in investing activities** | | **(74,141)** | **(36,550)** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | - | 40,000 |
| Repayment of borrowings | | (9,472) | (3,972) |
| Dividends paid | | (98,002) | (49,001) |
| **Net cash used in financing activities** | | **(107,474)** | **(12,973)** |
| **Net increase (decrease) in cash held** | | **268,560** | **(161,450)** |
| Cash and cash equivalents at beginning of financial year | | 900,814 | 1,062,264 |
| **Cash and cash equivalents at end of financial year** | **16a** | **1,169,374** | **900,814** |

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 Strathmore Community Services Limited.

Strathmore Community 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 19 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, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar unless otherwise stated.

<u>Economic dependency</u>

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

The branch operates 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**® branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

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

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

**(b) Income tax**

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities / (assets) are measured at the amounts expected to be paid to / (recovered from) 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.

**(c) Fair value of assets and liabilities**

The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

**(d) Plant and equipment**

<u>Plant and equipment</u>

Plant and equipment is measured on the cost basis and therefore 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. (refer to Note 1(m) for details of impairment).

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.

# Notes to the financial statements (continued)

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

**(d) Plant and equipment (continued)**

Depreciation

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

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

| Class of asset | Rate | Method |
|---|---|---|
| Leasehold improvements | 6.70% | SL |
| Plant and equipment | 13-17% | SL |
| Motor vehicles | 25.00% | DV |

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.

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.

**(e) Leases**

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

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

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

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

**(f) 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.

**(g) 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).

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

**(g) Goods and services tax (GST) (continued)**

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.

**(h) Employee benefits**

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.

**(i) Intangible assets**

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

**(j) Cash and cash equivalents**

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

**(k) Revenue and other income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any discounts. Revenue comprises service commissions and other income received by the company.

Interest revenue is recognised on a time proportional basis that taken into account the effective yield on the financial asset.

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

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

**(l) Investments and other financial assets**

(i) Classification

The company classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held to maturity investments, and
- available for sale assets.

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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term with the intention of making a profit. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The company has not designated any financial assets at fair value through profit or loss.

Loans and receivables

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

Held to maturity investments

The company 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.

Available for sale financial asset

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

# Notes to the financial statements (continued)

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

**(l) Investments and other financial assets (continued)**

(ii) Measurement

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses.
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

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.

(iii) Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measuress of recovery, if the Directors establish that the carrying amount cannot be recovered by any means, at that point the anticipated loss is charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

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

**(l) Investments and other financial assets (continued)**

(iii) Impairment (continued)

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss event that has occurred is duly considered.

(iv) 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.

**(m) Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for impairment. 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 impairment 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.

**(n) Trade and other payables**

Trade and other payables represent the liabilities for goods and services received by the company 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.

**(o) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any diference 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 as 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.

**(p) Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**(q) Contributed equity**

Ordinary shares are classified as equity.

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

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

**(r) Dividends**

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

**(s) 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, apart from the following:

In line with the provisions of accounting standard AASB108: Accounting Policies, Changes in Accounting Estimates and Erros, an adjustment has been made to recognise the change in accounting treatment adopted for interest income in previous years. Interest has been accounted for on a receipt basis historical, rather than applying an accruals income basis.

As the change is not material to the financial results presented in any one financial year previously and but does have a cumulative material effect in disclosure with the statement of financial position, the adjustment of $10,073 has been recorded directly to the opening balance of retained surplus as at 1 July, 2016.

An additional Statement of Financial Position as at the beginning of the earliest comparitive period has not been included as the overall adjustment is immaterial as detailed above.

**(t) Comparative figures**

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

**(u) Earnings per share**

<u>Basic earnings per share</u>

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.

**(v) 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 out on the following pages.

(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.

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## Bigger recognition

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This was made possible thanks to you, our supportive customers and community.


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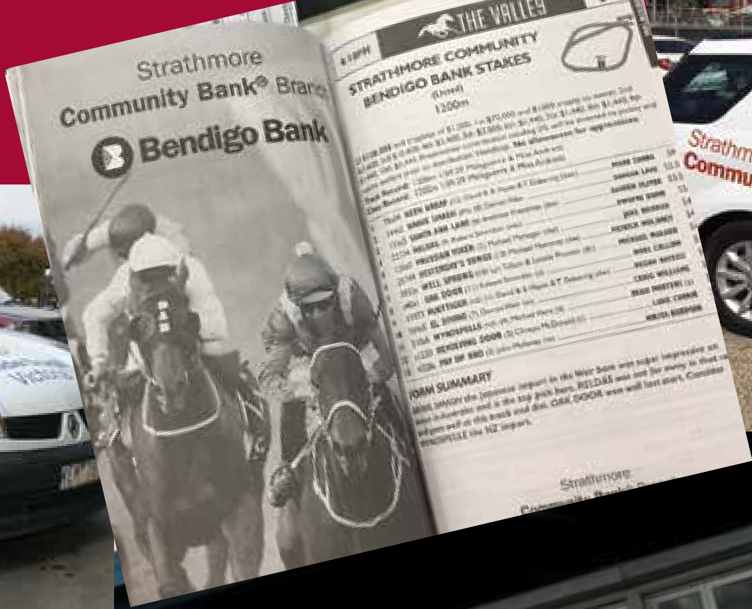
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Bendigo Bank
THE VALLEY
STRATHMORE COMMUNITY
BENDIGO BANK STAKES
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Community Bank® Branch
Bendigo Bank
337 Napier Street,
Strathmore VIC 3041
PH: (03) 9374 2607


COMMUNITY


SES


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

**(v) 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)

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
- the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

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

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

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

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.

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

**(v) New accounting standards for application in future periods (continued)**

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

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements 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).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets;
- depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

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.

**(w) Critical accounting estimates and judgements**

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

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

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

<u>Employee benefits provision</u>

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

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

**(w) 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.

| | **2017 $** | **2016 $** |
|---|---|---|

## Note 2. Revenue

| | 2017 $ | 2016 $ |
|---|---|---|
| Revenue | | |
| - services commissions | 2,150,401 | 1,920,582 |
| | **2,150,401** | **1,920,582** |
| Other revenue | | |
| - interest received | 29,410 | 35,547 |
| | **29,410** | **35,547** |
| **Total revenue** | **2,179,811** | **1,956,129** |

## Note 3. Expenses

Profit before income tax inculdes the following specific expenses:

| | 2017 $ | 2016 $ |
|---|---|---|
| Employee benefits expense | | |
| - wages and salaries | 657,775 | 632,630 |
| - superannuation costs | 62,172 | 66,775 |
| | **719,947** | **699,405** |
| Depreciation and amortisation | | |
| Depreciation | | |
| - plant and equipment | 13,721 | 4,753 |
| - leasehold improvements | 20,238 | 30,960 |
| | **33,959** | **35,713** |
| Amortisation | | |
| - franchise fees | 15,062 | 10,000 |
| | **15,062** | **10,000** |
| **Total depreciation and amortisation** | **49,021** | **45,713** |

| | 2017 $ | 2016 $ |
|---|---|---|

## Note 3. Expenses (continued)

| | | |
|---|---|---|
| Finance costs | | |
| - Interest paid | 2,965 | 4,006 |
| Bad and doubtful debts expenses | 269 | 256 |
| Auditors' remuneration | | |
| Remuneration of the Auditor for: | | |
| - Audit or review of the financial report | 8,166 | 5,884 |
| - Share registry services | 4,078 | 1,850 |
| | **12,244** | **7,734** |

## Note 4. Income tax

| | | |
|---|---|---|
| **a. 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%) | 9,138 | 1,360 |
| Add/(subtract) tax effect of: | | |
| - Non-deductible items | 21 | 4,418 |
| - Other | (7,241) | - |
| - Change in company tax rate | 327 | (5,778) |
| **Income tax attributable to the entity** | **2,245 -** | **0** |
| The applicable weighted average effective tax rate is | 7%(27%) | 0% |
| **b. Deferred tax asset** | | |
| Deferred tax relates to the following: | | |
| Deferred tax assets balance comprises: | | |
| Unused tax losses | 2,740 | 4,985 |
| | **2,740** | **4,985** |
| **Net deferred tax asset** | **2,740** | **4,985** |
| **c. Deferred tax asset movement** | | |
| Opening balance | 4,985 | 4,985 |
| (Charge)/Credit to income | (2,245) | - |
| **Closing balance** | **2,740** | **4,985** |

Deferred tax assets are not recognised until it is probable there will be future taxable profits as disclosed in note 1(b).

# Notes to the financial statements (continued)

| | 2017 $ | 2016 $ |
|---|---|---|

## Note 5. Cash and cash equivalents

| | 2017 $ | 2016 $ |
|---|---|---|
| Cash at bank and on hand | 60,547 | 43,952 |
| | **60,547** | **43,952** |

## Note 6. Trade and other receivables

| **Current** | 2017 $ | 2016 $ |
|---|---|---|
| Trade receivables | 232,324 | 182,361 |
| Other receivables | 279 | 367 |
| | **232,603** | **182,728** |

**Credit risk**

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

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

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

| | Gross amount $ | Not past due $ | Past due but not impaired | | | Past due and impaired $ |
|---|---|---|---|---|---|---|
| | | | < 30 days $ | 31-60 days $ | > 60 days $ | |
| **2017** | | | | | | |
| Trade receivables | 232,324 | 232,324 | - | - | - | - |
| Other receivables | 279 | 279 | - | - | - | - |
| **Total** | **232,603** | **232,603** | **-** | **-** | **-** | **-** |
| **2016** | | | | | | |
| Trade receivables | 182,361 | 182,361 | - | - | - | - |
| Other receivables | 367 | 367 | | - | - | - |
| **Total** | **182,728** | **182,728** | **-** | **-** | **-** | **-** |

| | 2017 $ | 2016 $ |
|---|---|---|

## Note 7. Financial assets

Held to maturity financial assets

| | | |
|---|---|---|
| Term deposits | 1,108,827 | 1,105,887 |
| | **1,108,827** | **1,105,887** |

The effective interest rate on short-term bank deposits was 2.30% (2016: 2.80%); these deposits have an average maturity of 210 days.

## Note 8. Other assets

| | | |
|---|---|---|
| Prepayments | 1,854 | 315,955 |
| Security bond | 1,950 | 1,950 |
| | **3,804** | **317,905** |

The prepayment balance for 2016 included the 2017 sponsorships, which have been declared and paid for in the 2016 year.

## Note 9. Plant and equipment

| | | |
|---|---|---|
| **Leasehold improvements** | | |
| At cost | 462,996 | 462,996 |
| Less accumulated depreciation | (260,057) | (239,819) |
| | **202,939** | **223,177** |
| **Motor vehicle** | | |
| At Cost | 36,550 | 36,550 |
| Less accumulated depreciation | (11,785) | (3,530) |
| | **24,765** | **33,020** |
| **Plant and equipment** | | |
| At cost | 84,559 | 66,902 |
| Less accumulated depreciation | (68,305) | (62,839) |
| | **16,254** | **4,063** |
| **Total plant and equipment** | **243,958** | **260,260** |
| **Movements in carrying amounts** | | |
| **Leasehold improvements** | | |
| Balance at the beginning of the reporting period | 223,177 | 254,137 |
| Depreciation expense | (20,238) | (30,960) |
| **Balance at the end of the reporting period** | **202,939** | **223,177** |

| | 2017 $ | 2016 $ |
|---|---|---|

## Note 9. Plant and equipment (continued)

| | 2017 $ | 2016 $ |
|---|---|---|
| **Motor vehicle** | | |
| Balance at the beginning of the reporting period | 33,020 | - |
| Additions | - | 36,550 |
| Depreciation expense | (8,255) | (3,530) |
| **Balance at the end of the reporting period** | **24,765** | **33,020** |
| **Plant and equipment** | | |
| Balance at the beginning of the reporting period | 4,063 | 5,286 |
| Additions | 17,657 | - |
| Depreciation expense | (5,466) | (1,223) |
| **Balance at the end of the reporting period** | **16,254** | **4,063** |
| **Total plant and equipment** | | |
| Balance at the beginning of the reporting period | 260,260 | 259,423 |
| Additions | 17,657 | 36,550 |
| Depreciation expense | (33,959) | (35,713) |
| **Balance at the end of the reporting period** | **243,958** | **260,260** |

## Note 10. Intangible assets

| | 2017 $ | 2016 $ |
|---|---|---|
| **Franchise fee** | | |
| At cost | 56,484 | 50,000 |
| Less accumulated amortisation | (15,062) | (50,000) |
| | **41,422** | **-** |
| **Movements in carrying amounts** | | |
| **Franchise fee** | | |
| Balance at the beginning of the reporting period | - | 10,000 |
| Additions | 56,484 | - |
| Amortisation expense | (15,062) | (10,000) |
| **Balance at the end of the reporting period** | **41,422** | **-** |

| | 2017 $ | 2016 $ |
|---|---|---|

## Note 11. Trade and other payables

| | 2017 $ | 2016 $ |
|---|---|---|
| Current | | |
| Unsecured liabilities: | | |
| Trade creditors | 24,498 | 32,670 |
| Other creditors and accruals | 121,291 | 23,501 |
| | **145,789** | **56,171** |

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

## Note 12. Borrowings

| | 2017 $ | 2016 $ |
|---|---|---|
| **Current** | | |
| Unsecured liabilities | | |
| Bank overdraft | - | 249,025 |
| Secured liabilities | | |
| Finance leases | 9,912 | 9,473 |
| | **9,912** | **258,498** |
| **Non-current** | | |
| Secured liabilities | | |
| Finance leases | 16,644 | 26,555 |
| | **16,644** | **26,555** |

**(a) Lease liabilities**

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

## Note 13. Provisions

| | 2017 $ | 2016 $ |
|---|---|---|
| **Current** | | |
| Employee benefits | 40,086 | 46,383 |
| **Non-current** | | |
| Employee benefits | 20,349 | 10,043 |
| **Total provisions** | **60,435** | **56,426** |

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

## Note 14. Share capital

| | | |
|---|---|---|
| 490,010 Ordinary shares fully paid | 490,010 | 490,010 |
| | **490,010** | **490,010** |
| **(a) Movements in share capital** | | |
| Fully paid ordinary shares: | | |
| At the beginning of the reporting period | 490,010 | 490,010 |
| **At the end of the reporting period** | **490,010** | **490,010** |

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.

**(b) Capital management**

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

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

(i) the Distribution Limit is the greater of:

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

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

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

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

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

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

## Note 15. Retained earnings

| | | |
|---|---|---|
| Balance at the beginning of the reporting period | 1,028,057 | 1,072,286 |
| Profit after income tax | 30,983 | 4,772 |
| Dividends paid | (98,002) | (49,001) |
| Prior Year Interest Adjustment (Note 1(s)) | 10,073 | - |
| **Balance at the end of the reporting period** | **971,111** | **1,028,057** |

| | 2017 $ | 2016 $ |
|---|---|---|

## Note 16. 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:**

| | 2017 $ | 2016 $ |
|---|---|---|
| Cash and cash equivalents (Note 5) | 60,547 | 43,952 |
| Less bank overdraft (Note 12) | - | (249,025) |
| Term deposits (Note 7) | 1,108,827 | 1,105,887 |
| **As per the Statement of Cash Flow** | **1,169,374** | **900,814** |

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

| | 2017 $ | 2016 $ |
|---|---|---|
| Profit after income tax | 30,983 | 4,772 |
| Non-cash flows in profit | | |
| - Depreciation | 33,959 | 35,713 |
| - Amortisation | 15,062 | 10,000 |
| - Interest Prior Year Adjustment (Note 1(s)) | 10,073 | - |
| - Bad debts | - | 256 |
| Changes in assets and liabilities | | |
| - (Increase) / decrease in trade and other receivables | (49,876) | (18,617) |
| - (Increase) / decrease in prepayments and other assets | 314,101 | (150,500) |
| - (Increase) / decrease in deferred tax asset | 2,245 | - |
| - Increase / (decrease) in trade and other payables | 89,618 | (8,163) |
| - Increase / (decrease) in provisions | 4,009 | 14,612 |
| **Net cash flows used in operating activities** | **450,174** | **(111,927)** |

## Note 17. Earnings per share

| | 2017 $ | 2016 $ |
|---|---|---|
| Basic earnings per share (cents) | 6.32 | 0.97 |
| Earnings used in calculating basic earnings per share | 30,983 | 4,772 |
| Weighted average number of ordinary shares used in calculating basic earnings per share. | 490,010 | 490,010 |

## Note 18. Key management personnel and related party disclosures

**(a) Key management personnel**

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

No remuneration was paid to key management personnel of the company during the year.

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

**(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 $ |
|---|---|---|
| Peter Brown - Napier St Newsagency | Printing & Stationery & Consulting Fees | 6,140 |
| Glenn Clements - Sportsmoves | Promotional Goods | 21,714 |

**(c) Transactions with key management personnel and related parties (continued)**

The Strathmore Community Services Limited has accepted the Bendigo and Adelaide Bank Limited's **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 branch. There is no requirement to own Bendigo and Adelaide Bank Limited 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 Directors have estimated the total benefits received from the Directors Privilege Package to be nil for the year ended 30 June 2017.

**(d) Key management personnel shareholdings**

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

| | 2017 | 2016 |
|---|---|---|
| Peter McKie | 7,000 | 7,000 |
| Glenn Clements | 3,000 | 3,000 |
| Craig Jenkins | 7,701 | 7,701 |
| Peter Brown | 2,000 | 2,000 |
| Kerri Osborne | 1,000 | 1,000 |
| Michael Garafillis | 2,000 | 2,000 |
| Phillip Lusher | - | - |

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

**(e) Other key management transactions**

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

## Note 19. Events after the reporting period

There have been no events after the end of the financial year that would materially affect the financial statements apart from the acquisition of the freehold land and building at 337 Napier Street, Strathmore for $1,530,000 with settlement due on the 1st December 2017.

## Note 20. Contingent liabilities and contingent assets

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

## Note 21. Operating segments

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

| | 2017 $ | 2016 $ |
|---|---|---|

## Note 22. Commitments

| Operating lease commitments | | |
|---|---|---|
| Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position. | | |
| Payable: | | |
| - no later than 12 months | - | - |
| **Minimum lease payments** | **-** | **-** |

The property lease was a non-cancellable lease with a five year term expiring in 2016, with rent payable monthly in advance and with CPI increases each year. A new lease agreement has not been signed as at 30 June 2017.

| Finance lease commitments | | |
|---|---|---|
| Finance lease liabilities are payable exclusive of GST as follows: | | |
| Payable: | | |
| - no later than 12 months | 10,915 | 10,915 |
| - between 12 months and five years | 17,282 | 28,197 |
| **Minimum lease payments** | **28,197** | **39,112** |
| Less future interest charges | (1,642) | (3,084) |
| **Finance lease liability** | **26,555** | **36,028** |

Finance leases comprise leases of motor vehicle under normal commercial finance lease terms and conditions repayable over 5 years.

## Note 23. Company details

The registered office and principle place of business is: 337 Napier Street, Strathmore VIC 3041.

| | 2017 $ | 2016 $ |
|---|---|---|

## Note 24. Dividends paid or provided for on ordinary shares

| | 2017 $ | 2016 $ |
|---|---|---|
| **Dividends paid or provided for during the year** | | |
| Final fully franked ordinary dividend of 20 cents per share (2016:10.0) franked at the tax rate of 30% (2016: 30%). | 98,002 | 49,001 |

No dividends were declared for the year ended 30 June 2017 as yet.

## Note 25. Financial risk management

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

Specific financial risk exposure and management

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

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

| | Note | 2017 $ | 2016 $ |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | 5 | 60,547 | 43,952 |
| Trade and other receivables | 6 | 232,603 | 182,728 |
| Financial assets | 7 | 1,108,827 | 1,105,887 |
| **Total financial assets** | | **1,401,977** | **1,332,567** |
| **Financial liabilities** | | | |
| Trade and other payables | 11 | 145,789 | 56,171 |
| Borrowings | 12 | 26,556 | 36,027 |
| Bank overdraft | 12 | - | 249,025 |
| **Total financial liabilities** | | **172,345** | **341,223** |

## Note 25. Financial risk management (continued)

**(a) Credit risk**

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

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

Credit risk exposures

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

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

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

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

**(b) Liquidity risk**

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

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

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

Financial liability and financial asset maturity analysis:

| 30 June 2017 | Weighted average interest rate % | Total $ | Within 1 year $ | 1 to 5 years $ | Over 5 years $ |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | 0% | 60,547 | 60,547 | - | - |
| Trade and other receivables | 0% | 232,603 | 232,603 | - | - |
| Financial assets | 2.30% | 1,108,827 | 1,108,827 | - | - |
| **Total anticipated inflows** | | **1,401,977** | **1,401,977** | **-** | **-** |

## Note 25. Financial risk management (continued)

**(b) Liquidity risk (continued)**

| 30 June 2017 | Weighted average interest rate % | Total $ | Within 1 year $ | 1 to 5 years $ | Over 5 years $ |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| Trade and other payables | 0% | 145,789 | 145,789 | - | - |
| Borrowings | 4.55% | 26,556 | 9,912 | 16,644 | - |
| **Total expected outflows** | | **172,345** | **155,701** | **16,644** | **-** |
| **Net inflow / (outflow) on financial instruments** | | **1,229,632** | **1,246,276** | **(16,644)** | **-** |

| 30 June 2016 | Weighted average interest rate % | Total $ | Within 1 year $ | 1 to 5 years $ | Over 5 years $ |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | 0% | 43,952 | 43,952 | - | - |
| Trade and other receivables | 0% | 182,728 | 182,728 | - | - |
| Financial assets | 2.80% | 1,105,887 | 1,105,887 | - | - |
| **Total anticipated inflows** | | **1,332,567** | **1,332,567** | **-** | **-** |
| **Financial liabilities** | | | | | |
| Trade and other payables | 0% | 56,171 | 56,171 | - | - |
| Borrowings | 4.55% | 36,027 | 9,472 | 26,555 | - |
| Bank overdraft * | 0% | 249,025 | - | - | - |
| **Total expected outflows** | | **341,223** | **65,643** | **26,555** | **-** |
| **Net inflow / (outflow) on financial instruments** | | **991,344** | **1,266,924** | **(26,555)** | **-** |

* The Bank overdraft has no set repayment period and as such all has been included as current.

**(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.

## Note 25. Financial risk management (continued)

**(c) Market risk (continued)**

Sensitivity analysis

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

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

| | Profit $ | Equity $ |
|---|---|---|
| **Year ended 30 June 2017** | | |
| +/- 1% in interest rates (interest income) | 11,694 | 11,694 |
| +/- 1% in interest rates (interest expense) | (266) | (266) |
| | **11,428** | **11,428** |
| **Year ended 30 June 2016** | | |
| +/- 1% in interest rates (interest income) | 9,008 | 9,008 |
| +/- 1% in interest rates (interest expense) | (360) | (360) |
| | **8,648** | **8,648** |

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.

**(e) Fair values**

Fair values (estimation)

The Directors and management believe the financial assets and liabilities are a reasonable approximation of their fair values at 30 June 2017. There are no indications of impairment on any financial asset disclosed in the financial repor

# Directors' declaration

In accordance with a resolution of the Directors of Strathmore Community Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 9 to 36 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.

Peter J. Brown

**Peter Brown**
**Director**

Signed at Strathmore on 19 September, 2017.

# Independent audit report

McBain McCartin & Co

Chartered Accountants
Audit & Assurance Services

PO Box 82 Balwyn
Victoria, Australia 3103
ABN 26 028 714 960

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STRATHMORE COMMUNITY SERVICES LIMITED**

**ABN: 84 096 122 459**

**Report on the Audit of the Financial Report**

**Opinion**

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

In our opinion:

a. the accompanying financial report of Strathmore Community 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 financial 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 International Financial Reporting Standards as disclosed in Note 1.

**Basis of 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. 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 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.

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



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**Information Other than the Financial Report and Auditor's Report Thereon**

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. In 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 a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibility of the Directors 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 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 to cease operations, or have no realistic alternative to do so.

**Auditor's Responsibilities 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 it 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 the 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 the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

a. identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.

b. Obtain an understanding of internal control relevant to the audit 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 company's internal control.

c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

**Auditor's Responsibilities for the Audit of the Financial Report *(Cont'd)***

d. Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the registered entity to cease to continue as a going concern.

e. 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 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.

**McBain McCartin & Co**
***Chartered Accountants***

**Simon Aukstin**
Partner
Level 1, 123 Whitehorse Road
BALWYN VIC 3103

Dated this 19th day of September 2017

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Franchisee: Strathmore Community Services Limited
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