



# Annual Report 2017

Tongala & District  
Financial Services Limited

ABN 22 094 331 665

Tongala & District **Community Bank**<sup>®</sup> Branch

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# Chairman's report

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For year ending 30 June 2017

In what has been another interesting and challenging year I am pleased to present my report. Our business has delivered consistent results throughout the year which has provided the opportunity to commit investments exceeding \$30,000 to community projects and groups including the CFA, Lions, Community Activity Centre and our wonderful Aged Care facility. Our agency in Mathoura has also enabled us to support events in their town as well. We are able to make these contributions because of the support of our customers and shareholders and so I encourage all to promote our Tongala & District **Community Bank**<sup>®</sup> Branch with friends and neighbours because a stronger **Community Bank**<sup>®</sup> branch can do more for our community.

With the departure of our Manager Maree McNamara in December, Ammie, Kate and Karen did a fantastic job keeping the branch functioning with the assistance of some relief staff and the support of Kendall Beattie and Mark Brown from the regional office. Following discussions with the Board of our neighbours at Rushworth & District **Community Bank**<sup>®</sup> Branch it was great to be able to come to an arrangement that sees us sharing the services of their Manager Kevin Livingston. Kevin brings a wealth of experience in banking and I'm sure he will provide excellent leadership and guidance to the branch, our staff and customers, particularly in the year ahead as the Bendigo and Adelaide Bank and Rural Bank merger comes to fruition.

Once again I wish to thank my fellow Board members for their dedication and commitment to the company and their community. A special thanks to Leanne Willis for her administrative support and marketing skills.



**Neil Pankhurst**  
**Chairman**

# Manager's report

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For year ending 30 June 2017

It is with pleasure that I submit my first annual Branch Manager's report for Tongala & District **Community Bank**<sup>®</sup> Branch.

I have had the privilege of managing the branch from May 2017. Maree McNamara resigned from the Branch Manager's role at the end of December in the interim before I commenced the staff did an excellent effort in managing the branch with the support of the North East Region.

We have had a very challenging, but rewarding environment in **Community Bank**<sup>®</sup> model of banking in the past 12 months. During this period, we have still been able to fulfil some key goals and provide important support back to our local community in the district, with quality service by the staff.

To enable the branch to continue with business growth we know that we will need to continue to provide the superior level of customer service that we take great pride in and offer competitive products, interest rates and banking options to our customers, which we are able to do with the tremendous support and backing of Bendigo and Adelaide Bank.

In our industry operational risk and regulatory requirements are always a major focus for Bendigo and Adelaide Bank. This ensures our staff and branch adhere to correct policies and procedures. The operational reviews conducted at our branch over the last 12 months confirm that our staff continue to meet these policy and regulatory requirements.

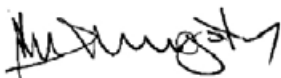
I would like to personally thank our fantastic branch staff, Ammie, Kate and Karen for the support and service they provide to our customers. The personal service we provide to our customers is something we are very proud and passionate about. They form a fantastic team and I also thank them for the support and assistance they provide to me especially whilst I am away from the Branch. We have also recently employed Hannah on a Traineeship as a Customer Service Officer for 12-month contract who is progressing well in the role. I would also like to thank Kalli, Karen, Julie and Rebecca at the Mathoura agency for their ongoing support in helping us build the business in Mathoura.

I also thank our Bendigo Bank support team of Mark Brown (Regional Manager), Kendall Beattie (Regional Community Manager) and Dylan Villani (People Operations Manager), Monique Bonney (Local Connection Coordinator) and their teams who are also a great support to our branch and to our staff. I would also like to sincerely thank Board Chairman Neil Pankhurst and the other Board members for their continued support and assistance.

Most of all I would like to thank our local shareholders, our individual customers and the local business and community members that choose to do their banking with Tongala & District **Community Bank**<sup>®</sup> Branch. It is only because they do that we are able to provide the support that we do to our local communities. Our success is directly linked to the success of our communities so assisting local groups and supporting community events and projects is ultimately good for all of us.

On behalf of the branch staff we look forward to another year of servicing our current, new and potential customers, growing our business and continuing to support our communities.

Thank you.



**Kevin Livingston**  
**Branch Manager**

# Directors' report

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

### Neil Pankhurst

Position	Director and Chairperson
Professional qualifications	-
Experience and expertise	Councillor - Shire of Campaspe, Board Member - The Scots School (5 years), Board Member - Apex Victoria (3 years), Director - Goulburn Murray Water.

### Ken Chapman

Position	Director
Professional qualifications	-
Experience and expertise	Board Member - Tongala & District Memorial Aged Care, Director - Tongala Lions Club.

### Ian Johnstone

Position	Director
Professional qualifications	-
Experience and expertise	Retired, Farmer for 50 years.

### Jean Courtney

Position	Director, Secretary
Professional qualifications	RN, Ba App Sc, MHS, FCNA, GAICD.
Experience and expertise	Director of Nursing at Tongala & District Memorial Aged Care. Director and Secretary from 28 September 2016.

### Jill Regan

Position	Director
Professional qualifications	-
Experience and expertise	Board Member - Tongala & District Memorial Aged Care

### Ian Taylor

Position	Director
Professional qualifications	-
Experience and expertise	Previously was Shire Parks & Gardens Supervisor

### Lyn Cosham

Position	Director
Professional qualifications	-
Experience and expertise	Previously was Administration Officer for the Shire.

# Directors' report (continued)

## Directors (continued)

### John Bentley

Position	Director
Professional qualifications	-
Experience and expertise	Water Industry employee for 28 years. Member of Club, League and Recreational Reserve Committees for 27 years.

### David Newman (Resigned 8 September 017)

Position	Director and Secretary
Professional qualifications	B.Bus (Acc)
Experience and expertise	Accountant and Small Business Proprietor

### Mark Dunwoodle (Resigned 8 September 2017)

Position	Director
Professional qualifications	-
Experience and expertise	Small Business Proprietor and Board Member - Kyabram Secondary College (8 years)

### Ayden McGill (Resigned 8 September 2017)

Position	Director
Professional qualifications	B.Acc
Experience and expertise	Accountant

### Greg Rossborough (Appointed 8 September 2017)

Position	Director and Treasurer
Professional qualifications	-
Experience and expertise	Previously Coportae Westpac Manager (26 years). General Manager in Licensed Club industry (20 years). Treasurer Tongala Football Netball Club.

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

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

## Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings		Director	Board meetings	
	A	B		A	B
Neil Pankhurst	11	10	Lyn Cosham	11	10
Ken Chapman	11	10	David Newman	3	0
Ian Johnstone	11	10	Mark Dunwoodle	3	0
Jean Courtney	11	10	John Bentley	11	9
Jill Regan	11	10	Ayden McGill	3	0
Ian Taylor	11	4	Greg Rossborough	8	7

A - The number of meetings eligible to attend.

B - The number of meetings attended.

# Directors' report (continued)

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## **Company Secretary**

Jean Courtney has been the Company Secretary of Tongala & District Financial Services Limited since September 2016.

Jean's qualifications and experience include RN, Ba App Sc, MHS, FCNA, GAICD.

## **Principal activities**

The principal activities of the company during the course of the financial year were in providing **Community Bank**<sup>®</sup> 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 \$108,558 (2016 profit \$63,038), which is a 72% increase as compared with the previous year.

## **Dividends**

A partially franked final dividend of 5 cents per share for the year ended 30 June 2016 was declared and paid during 2017. No dividend has been declared or paid for the year ended 30 June 2017 as yet.

## **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.

# Directors' report (continued)

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## **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 9 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

## **Non-audit services**

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

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

## **Remuneration report**

### Remuneration policy

There has been no remuneration policy developed as Director positions are held on a voluntary basis, and with the exception of the treasure, Directors are not remunerated for their services.

### Remuneration benefits and payments

Other than detailed below, no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

The Tongala & District Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank**<sup>®</sup> Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the 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.



# Directors' report (continued)

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## Remuneration report (continued)

### Equity holdings of key management personnel

The number of ordinary shares in the company held during the financial year and prior year by each Director and other key management personnel, including their related parties, are set out below:

Name	Balance at 30 June 2016	Net change in holdings	Balance at 30 June 2017
<b>Directors</b>			
Neil Pankhurst	1,500	-	1,500
Ken Chapman	8,000	-	8,000
Ian Johnstone	5,000	-	5,000
Jean Courtney	-	-	-
Jill Regan	-	2,000	2,000
Ian Taylor	1,000	-	1,000
Lyn Cosham	1,000	-	1,000
David Newman	-	-	-
Mark Dunwoodle	-	-	-
John Bentley	-	1,000	1,000
Ayden McGill	-	-	-
Greg Rossborough	-	-	-

### Loans to key management personnel

There were no loans to key management personnel during the current or prior reporting period.

Signed in accordance with a resolution of the Board of Directors at Tongala on 20 November 2017.



**Neil Pankhurst**  
**Director**

# Auditor's independence declaration

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## **Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Tongala & District Financial Services Limited.**

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

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

**RSD Audit**  
Chartered Accountants

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

**Kathie Teasdale**  
Partner  
Bendigo  
Dated: 20 November 2017

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

# Financial statements

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

	Notes	2017 \$	2016 \$
Revenue	2	636,179	716,129
<b>Expenses</b>			
Employee benefits expense	3	(265,771)	(274,436)
Depreciation and amortisation	3	(18,295)	(28,853)
Finance costs	3	(4,354)	(3,835)
Bad and doubtful debts expense	3	(106)	(1,034)
Professional fees		(16,113)	(35,601)
Agent commissions		(43,046)	(142,314)
Administration expenses		(33,042)	(47,029)
IT expenses		(17,555)	(20,257)
Occupancy expenses		(10,167)	(4,680)
Printing & stationery		(9,164)	(8,458)
Other expenses		(49,035)	(42,382)
		<b>(466,648)</b>	<b>(608,879)</b>
<b>Operating profit before charitable donations and sponsorships</b>		<b>169,531</b>	<b>107,250</b>
Charitable donations and sponsorships		(20,470)	(18,695)
<b>Profit before income tax</b>		<b>149,061</b>	<b>88,555</b>
Income tax expense	4	(40,503)	(25,517)
<b>Profit for the year</b>		<b>108,558</b>	<b>63,038</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>108,558</b>	<b>63,038</b>
Profit attributable to members of the company		108,558	63,038
<b>Total comprehensive income attributable to members of the company</b>		<b>108,558</b>	<b>63,038</b>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):</b>			
- basic earnings per share	16	31.80	18.47

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

# Financial statements (continued)

## Statement of Financial Position as at 30 June 2017

	Notes	2017 \$	2016 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	270,715	157,200
Trade and other receivables	6	36,169	26,475
<b>Total current assets</b>		<b>306,884</b>	<b>183,675</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	133,749	137,907
Intangible assets	8	40,823	52,120
<b>Total non-current assets</b>		<b>174,572</b>	<b>190,027</b>
<b>Total assets</b>		<b>481,456</b>	<b>373,702</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	28,093	13,271
Current tax liability	4	30,790	15,710
Borrowings	11	13,000	14,409
Provisions	12	2,917	4,208
<b>Total current liabilities</b>		<b>74,800</b>	<b>47,598</b>
<b>Non-current liabilities</b>			
Borrowings	11	32,847	44,753
Provisions	12	9,694	8,726
<b>Total non-current liabilities</b>		<b>42,541</b>	<b>53,479</b>
<b>Total liabilities</b>		<b>117,341</b>	<b>101,077</b>
<b>Net assets</b>		<b>364,115</b>	<b>272,625</b>
<b>Equity</b>			
Issued capital	13	341,350	341,350
Retained earnings / (Accumulated losses)	14	22,765	(68,725)
<b>Total equity</b>		<b>364,115</b>	<b>272,625</b>

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

## Financial statements (continued)

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

	Note	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015		341,350	(114,695)	226,655
Profit for the year		-	63,038	63,038
<b>Total comprehensive income for the year</b>		-	<b>63,038</b>	<b>63,038</b>
<b>Transactions with owners in their capacity as owners</b>				
Dividends paid or provided	15	-	(17,068)	(17,068)
<b>Balance at 30 June 2016</b>		<b>341,350</b>	<b>(68,725)</b>	<b>272,625</b>
Balance at 1 July 2016		341,350	(68,725)	272,625
Profit for the year		-	108,558	108,558
<b>Total comprehensive income for the year</b>		-	<b>108,558</b>	<b>108,558</b>
<b>Transactions with owners in their capacity as owners</b>				
Dividends paid or provided	15	-	(17,068)	(17,068)
<b>Balance at 30 June 2017</b>		<b>341,350</b>	<b>22,765</b>	<b>364,115</b>

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

# Financial statements (continued)

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

	Notes	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		625,828	706,724
Payments to suppliers and employees		(449,970)	(599,770)
Interest paid		(4,354)	(3,835)
Interest received		658	4,528
Income tax paid		(25,423)	(13,196)
<b>Net cash provided by operating activities</b>	<b>17b</b>	<b>146,739</b>	<b>94,451</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(2,840)	(129,513)
Purchase of intangible assets		-	(56,484)
<b>Net cash flows used in investing activities</b>		<b>(2,840)</b>	<b>(185,997)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	51,334
Repayment of borrowings		(13,316)	-
Dividends paid		(17,068)	(17,068)
<b>Net cash provided by / (used in) financing activities</b>		<b>(30,384)</b>	<b>34,266</b>
Net increase / (decrease) in cash held		113,515	(57,280)
Cash and cash equivalents at beginning of financial year		157,200	214,480
<b>Cash and cash equivalents at end of financial year</b>	<b>17a</b>	<b>270,715</b>	<b>157,200</b>

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

# Notes to the financial statements

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For year ended 30 June 2017

These financial statements and notes represent those of Tongala & District Financial Services Limited.

Tongala & District financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 20 November 2017.

## Note 1. Summary of significant accounting policies

### (a) Basis of preparation

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

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

#### Economic dependency

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

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**<sup>®</sup> branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**<sup>®</sup> 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**<sup>®</sup> branches franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

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

# Notes to the financial statements (continued)

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

### **(b) Impairment of assets**

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

### **(c) Goods and services tax (GST)**

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

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

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

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

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

### **(e) Comparative figures**

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

### **(f) Critical accounting estimates and judgements**

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

#### Estimation of useful lives of assets

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

#### Employee benefits provision

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

#### 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.



# Notes to the financial statements (continued)

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

### (f) Critical accounting estimates and judgements (continued)

#### Impairment

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

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

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

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

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

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

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

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

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.

# Notes to the financial statements (continued)

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

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

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

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

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

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

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

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

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

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

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

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

AASB 16:

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

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.

# Notes to the financial statements (continued)

## Note 2. Revenue

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

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

### Rendering of services

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

### Interest and other income

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

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

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

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Revenue		
- service commissions	629,395	711,601
	<b>629,395</b>	<b>711,601</b>
Other revenue		
- interest received	658	4,528
- other revenue	6,126	-
	<b>6,784</b>	<b>4,528</b>
<b>Total revenue</b>	<b>636,179</b>	<b>716,129</b>

## Note 3. Expenses

### Operating expenses

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

### Borrowing costs

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

### Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised leased assets, but excluding freehold land is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use.

# Notes to the financial statements (continued)

## Note 3. Expenses (continued)

### Depreciation (continued)

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

Class of asset	Rate	Method
Buildings	3%	SL
Plant and equipment	20%	SL
Motor vehicles	25%	SL

SL = Straight line depreciation method

	2017 \$	2016 \$
<b>Profit before income tax includes the following specific expenses:</b>		
Employee benefits expense		
- wages and salaries	200,293	200,376
- superannuation costs	18,688	20,197
- other costs	46,790	53,863
	<b>265,771</b>	<b>274,436</b>
Depreciation and amortisation		
Depreciation		
- buildings	2,409	1,683
- motor vehicle	2,847	5,223
- plant and equipment	1,742	2,583
	<b>6,998</b>	<b>9,489</b>
Amortisation		
- franchise fees	11,297	19,364
<b>Total depreciation and amortisation</b>	<b>18,295</b>	<b>28,853</b>
Finance costs		
- Interest paid	4,354	3,835
Bad and doubtful debts expenses	106	1,034
Auditors' remuneration		
Remuneration of the Auditor, Richmond, Sinnott & Delahunty, for:		
- Audit or review of the financial report	10,166	5,050
- Taxation services	9,845	10,545
- Share registry services	412	1,800
	<b>20,423</b>	<b>17,395</b>

# Notes to the financial statements (continued)

## Note 4. Income tax

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

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

Deferred 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.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>a. The components of tax expense comprise:</b>		
Current tax expense	40,503	25,517
	<b>40,503</b>	<b>25,517</b>
<b>b. Prima facie tax payable</b>		
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%)	40,992	25,238
Add tax effect of:		
- Timing differences	(489)	279
<b>Income tax attributable to the entity</b>	<b>40,503</b>	<b>25,517</b>
The applicable weighted average effective tax rate is:	27.17%	28.81%
<b>c. Current tax liability</b>		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	15,710	3,389
Income tax paid	(25,423)	(13,196)
Current tax	40,503	25,517
	<b>30,790</b>	<b>15,710</b>

## Note 5. Cash and cash equivalents

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

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	270,715	157,200
	<b>270,715</b>	<b>157,200</b>

# Notes to the financial statements (continued)

## Note 6. Trade and other receivables

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

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

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Trade receivables	36,044	26,350
Other receivables	125	125
	<b>36,169</b>	<b>26,475</b>

### 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 \$	
<b>2017</b>						
Trade receivables	36,044	36,044		-		-
Other receivables	125	125	-	-	-	-
<b>Total</b>	<b>36,169</b>	<b>36,169</b>	-	-	-	-
<b>2016</b>						
Trade receivables	26,350	26,350	-	-	-	-
Other receivables	125	125	-	-	-	-
<b>Total</b>	<b>26,475</b>	<b>26,475</b>	-	-	-	-

# Notes to the financial statements (continued)

## Note 7. Property, plant and equipment

### Property

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

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

### Plant and equipment

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

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

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

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

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

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Land</b>		
At cost	33,155	33,155
<b>Buildings</b>		
At cost	96,358	96,358
Less accumulated depreciation	(4,092)	(1,683)
	<b>92,266</b>	<b>94,675</b>
<b>Plant and equipment</b>		
At cost	60,796	57,958
Less accumulated depreciation	(52,468)	(49,623)
	<b>8,328</b>	<b>8,335</b>

## Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 7. Property, plant and equipment (continued)		
<b>Motor Vehicle</b>		
At cost	20,894	20,894
Less Accumulated depreciation	(20,894)	(19,152)
	-	<b>1,742</b>
<b>Total property, plant and equipment</b>	<b>133,749</b>	<b>137,907</b>
<b>Movements in carrying amounts</b>		
<b>Land</b>		
Balance at the beginning of the reporting period	33,155	-
Additions	-	33,155
<b>Balance at the end of the reporting period</b>	<b>33,155</b>	<b>33,155</b>
<b>Buildings</b>		
Balance at the beginning of the reporting period	94,675	-
Additions	-	96,358
Depreciation expense	(2,409)	(1,683)
<b>Balance at the end of the reporting period</b>	<b>92,266</b>	<b>94,675</b>
<b>Plant and equipment</b>		
Balance at the beginning of the reporting period	8,335	10,918
Additions	2,840	-
Depreciation expense	(2,847)	(2,583)
<b>Balance at the end of the reporting period</b>	<b>8,328</b>	<b>8,335</b>
<b>Motor Vehicle</b>		
Balance at the beginning of the reporting period	1,742	6,965
Depreciation expense	(1,742)	(5,223)
<b>Balance at the end of the reporting period</b>	<b>-</b>	<b>1,742</b>
<b>Total property, plant and equipment</b>		
Balance at the beginning of the reporting period	137,907	17,883
Additions	2,840	129,513
Depreciation expense	(6,998)	(9,489)
<b>Balance at the end of the reporting period</b>	<b>133,749</b>	<b>137,907</b>



# Notes to the financial statements (continued)

## Note 8. 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.

	2017 \$	2016 \$
<b>Franchise fee</b>		
At cost	106,484	106,484
Less accumulated amortisation	(65,661)	(54,364)
<b>Total intangible assets</b>	<b>40,823</b>	<b>52,120</b>
<b>Movements in carrying amounts</b>		
<b>Franchise fee</b>		
Balance at the beginning of the reporting period	52,120	15,000
Additions	-	56,484
Amortisation expense	(11,297)	(19,364)
<b>Balance at the end of the reporting period</b>	<b>40,823</b>	<b>52,120</b>

## Note 9. Financial assets and liabilities

### Financial assets

#### Classification of financial assets

The company classifies its financial assets as loans and receivables

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 some cases re-evaluates this designation at the end of each reporting period.

#### Loans and receivables

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

#### Measurement of financial assets

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

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

# Notes to the financial statements (continued)

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## Note 9. Financial assets and liabilities (continued)

### **Financial assets (continued)**

#### Measurement of financial assets (continued)

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

#### Impairment of financial assets

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

#### Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

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

#### Derecognition of financial assets

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**

#### Classification of financial liabilities

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

#### Measurement of financial liabilities

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

# Notes to the financial statements (continued)

## Note 9. Financial assets and liabilities (continued)

### Financial liabilities (continued)

#### Derecognition of financial liabilities

Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

## Note 10. Trade and other payables

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

	2017 \$	2016 \$
<b>Current</b>		
<hr/>		
Unsecured liabilities:		
<hr/>		
Trade creditors	22,082	454
<hr/>		
Accrued expenses and other payables	6,011	12,817
<hr/>		
	<b>28,093</b>	<b>13,271</b>
<hr/>		

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

## Note 11. Borrowings

### Loans

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

### Finance Leases

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

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

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

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.

# Notes to the financial statements (continued)

## Note 11. Borrowings (continued)

### Classification

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.

	2017 \$	2016 \$
<b>Current</b>		
Secured liabilities		
Bank loan	13,000	13,000
Finance leases	-	1,409
	<b>13,000</b>	<b>14,409</b>
<b>Non-current</b>		
Secured liabilities		
Bank loan	32,847	44,753
	<b>32,847</b>	<b>44,753</b>
<b>Total borrowings</b>	<b>45,847</b>	<b>59,162</b>

### (a) Bank overdraft and bank loans

The company has a mortgage loan which is subject to normal terms and conditions. The current interest rate is 7.05%. This loan has been created to fund the purchase of the property, and is secured by the property.

### (b) Lease liabilities

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

## Note 12. Provisions

### Short-term employee benefits

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

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

### Other long-term employee benefits

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

# Notes to the financial statements (continued)

## Note 12. Provisions (continued)

### Other long-term employee benefits (continued)

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

	2017 \$	2016 \$
<b>Current</b>		
Employee benefits	2,917	4,208
<b>Non-current</b>		
Employee benefits	9,694	8,726
<b>Total provisions</b>	<b>12,611</b>	<b>12,934</b>

## Note 13. Share capital

Ordinary shares are classified as equity.

341,350 Ordinary shares fully paid	341,350	341,350
	<b>341,350</b>	<b>341,350</b>

### Movements in share capital

Fully paid ordinary shares:

At the beginning of the reporting period	341,350	341,350
Shares issued during the year	-	-
<b>At the end of the reporting period</b>	<b>341,350</b>	<b>341,350</b>

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

### Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

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

# Notes to the financial statements (continued)

## Note 13. Share capital (continued)

### Capital management (continued)

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

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

	2017 \$	2016 \$
<b>Note 14. Retained earnings / (Accumulated losses)</b>		
Balance at the beginning of the reporting period	(68,725)	(114,695)
Profit after income tax	108,558	63,038
Dividends paid	(17,068)	(17,068)
<b>Balance at the end of the reporting period</b>	<b>22,765</b>	<b>(68,725)</b>

## Note 15. Dividends paid or provided for on ordinary shares

### Dividends paid or provided for during the year

Final partially franked ordinary dividend of 5 cents per share (2016: 5 cents) franked at the tax rate of 27.5% (2016: 28.5%).	17,068	17,068
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A provision is made for the amount of any dividends declared, authorised and no longer payable at the discretion of the entity on or before the end of the financial year, but not distributed at balance date.

## Note 16. Earnings per share

### Basic earnings per share

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

	2017 \$	2016 \$
Basic earnings per share (cents)	31.80	18.47
Earnings used in calculating basic earnings per share	108,558	63,038
Weighted average number of ordinary shares used in calculating basic earnings per share.	341,350	341,350

## Notes to the financial statements (continued)

	2017 \$	2016 \$
<b>Note 17. Statement of cash flows</b>		
<b>(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:</b>		
Cash and cash equivalents (Note 5)	270,715	157,200
<b>As per the Statement of Cash Flow</b>	<b>270,715</b>	<b>157,200</b>
<b>(b) Reconciliation of cash flow from operations with profit after income tax</b>		
Profit after income tax	108,558	63,038
Non-cash flows in profit		
- Depreciation	6,997	9,489
- Amortisation	11,297	19,364
Changes in assets and liabilities		
- Increase in trade and other receivables	(9,694)	(4,757)
- Increase / (decrease) in trade and other payables	14,824	(8,641)
- Increase / (decrease) in current tax liability	15,080	12,321
- Increase/ (decrease) in provisions	(323)	3,637
<b>Net cash flows from operating activities</b>	<b>146,739</b>	<b>94,451</b>

## 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.

The totals of remuneration paid to key management personnel of the company during the year are as follows:

	2017 \$	2016 \$
Short-term employee benefits	6,825	-
<b>Total key management personnel compensation</b>	<b>6,825</b>	<b>-</b>

#### Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other key management personnel.

### (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.

## Notes to the financial statements (continued)

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

#### (c) Transactions with key management personnel and other related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. The fees paid to key management personnel disclosed in note 18(a) relate to remuneration paid to the Treasurer for services provided. No other 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 \$
Ken Chapman	Donation to Lions Club for Illusion Park	5,000
Ian Taylor	Donation to Lions Club for Illusion Park	5,000
Greg Rossborough	Donation for ground refurbishment	20,000

The Tongala & District Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank**<sup>®</sup> Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the 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 Tongala & District Community Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2017	2016
Neil Pankhurst	1,500	1,500
Ken Chapman	8,000	8,000
Ian Johnstone	5,000	5,000
Jean Courtney	-	-
Jill Regan	2,000	-
Ian Taylor	1,000	1,000
Lyn Cosham	1,000	1,000
David Newman	-	-
Mark Dunwoodle	-	-
John Bentley	1,000	-
Ayden McGill	-	-
Greg Rossborough	-	-
	<b>19,500</b>	<b>16,500</b>

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.



# Notes to the financial statements (continued)

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

### **(e) Other key management transactions**

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

## Note 19. Events after the reporting period

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

## Note 20. Contingent liabilities and contingent assets

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

## Note 21. Operating segments

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

## Note 22. Company details

The registered office and principle place of business is 4 Stewart Place, Tongala.

## Note 23. 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 established an Audit Committee during 2017 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:

# Notes to the financial statements (continued)

## Note 23. Financial risk management (continued)

### Specific financial risk exposure and management (continued)

	Note	2017 \$	2016 \$
<b>Financial assets</b>			
Cash and cash equivalents	5	270,715	157,200
Trade and other receivables	6	36,169	26,475
<b>Total financial assets</b>		<b>306,884</b>	<b>183,675</b>
<b>Financial liabilities</b>			
Trade and other payables	9	28,093	13,271
Borrowings	10	45,847	59,162
<b>Total financial liabilities</b>		<b>73,940</b>	<b>72,433</b>

#### **(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.

#### Credit risk exposures

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

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

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

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

#### **(b) Liquidity risk**

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

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

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

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

# Notes to the financial statements (continued)

Note 23. Financial risk management (continued)

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

Financial liability and financial asset maturity analysis:

	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>30 June 2017</b>					
<b>Financial assets</b>					
Cash and cash equivalents	1.73%	270,715	270,715	-	-
Trade and other receivables		36,169	36,169	-	-
<b>Total anticipated inflows</b>		<b>306,884</b>	<b>306,884</b>	-	-
<b>Financial liabilities</b>					
Trade and other payables		28,093	28,093	-	-
Borrowings	7.05%	45,847	13,000	32,847	-
<b>Total expected outflows</b>		<b>73,940</b>	<b>41,093</b>	<b>32,847</b>	-
<b>Net inflow / (outflow) on financial instruments</b>		<b>232,944</b>	<b>265,791</b>	<b>(32,847)</b>	-

	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>30 June 2016</b>					
<b>Financial assets</b>					
Cash and cash equivalents	-%	157,200	157,200	-	-
Trade and other receivables		26,475	26,475	-	-
<b>Total anticipated inflows</b>		<b>183,675</b>	<b>183,675</b>	-	-
<b>Financial liabilities</b>					
Trade and other payables		13,271	13,271	-	-
Borrowings	7.05%	59,162	14,409	44,753	-
<b>Total expected outflows</b>		<b>72,433</b>	<b>27,680</b>	<b>44,753</b>	-
<b>Net inflow / (outflow) on financial instruments</b>		<b>111,242</b>	<b>155,995</b>	<b>(44,753)</b>	-

# Notes to the financial statements (continued)

## Note 23. Financial risk management (continued)

### (c) Market risk

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

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

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

#### Sensitivity analysis

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

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

	Profit \$	Equity \$
<b>Year ended 30 June 2017</b>		
+/- 1% in interest rates (interest income)	2,707	2,707
+/- 1% in interest rates (interest expense)	(458)	(458)
	<b>2,249</b>	<b>2,249</b>
<b>Year ended 30 June 2016</b>		
+/- 1% in interest rates (interest income)	1,572	1,572
+/- 1% in interest rates (interest expense)	(592)	(592)
	<b>980</b>	<b>980</b>

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 value risk

The company is not exposed to any material fair value risk.

# Directors' declaration

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

1. The financial statements and notes, as set out on pages 10 to 35 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.
3. The audited remuneration disclosures set out in the remuneration report section of the Directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



**Neil Pankhurst**  
**Director**

Signed at Tongala on 20 November 2017.

# Independent audit report

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TONGALA & DISTRICT FINANCIAL SERVICES LIMITED

### REPORT ON THE AUDIT OF THE FINANCIAL REPORT

#### Opinion

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

In our opinion:

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

#### Basis for Opinion

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

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



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## Independence

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

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report or the year ended 30 June 2017. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Matter
<b>Taxation</b>	
<p>The application of taxation legislation to the Company's accounts is inherently complex and requires judgement to be exercised in relation to estimating tax exposures and quantifying provisions and liabilities.</p> <p>Further disclosure regarding Taxation can be found at Note 1(f) <i>Critical Accounting Estimates and Judgements</i> and Note 4 <i>Income Tax</i>.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> <li>Reviewed the income taxation calculations prepared and are satisfied that the calculations are in accordance with the accounting standards and applicable income tax legislation.</li> <li>Tested the assumptions and forecast taxable income supporting deferred tax assets</li> <li>Considered the appropriateness of the Company's disclosures regarding current tax matters</li> <li>Assessed the consistency of assumptions used in estimating provisions and liabilities.</li> </ul>
<b>Employee Provisions</b>	
<p>The valuation of employee entitlements are subject to complex estimation techniques and significant judgement. Assumptions required for wage growth and CPI movements, coupled with the estimated likelihood of employees reaching unconditional services is estimated.</p> <p>A small change in assumptions can have a material impact on the financial statements.</p> <p>Further disclosure regarding Employee Provisions can be found at Note 1(f) <i>Critical Accounting Estimates and Judgements</i> and Note 14 <i>Provisions</i>.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> <li>Reviewed the employee entitlement calculations and are satisfied that they calculations are in accordance with applicable accounting standards.</li> <li>Tested the accuracy of the calculations and models used to calculate employee entitlement provisions.</li> <li>Evaluated the assumptions applied in calculating employee entitlements such as the discount rate and the probability of long service leave vesting conditions being met.</li> </ul>



## **Director's Responsibility for the Financial Report**

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

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

## **Auditor's Responsibility**

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

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

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

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

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

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

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





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

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

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

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

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

## **Other Information**

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

## **REPORT ON THE AUDIT OF THE REMUNERATION REPORT**

### **Auditor's Opinion on the Remuneration Report**

We have audited the remuneration report included on pages 5 and 6 of the director's report for the year ended 30 June 2017. The directors of the Company are responsible for the preparation and presentation of the remuneration report and in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

In our opinion, the remuneration report of Tongala & District Financial Services Limited, for the year ended 30 June 2017 is in accordance with s300A of the *Corporations Act 2001*.

# Independent audit report (continued)

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## **Responsibilities for the Remuneration Report**

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

## **RSD Audit**

Chartered Accountants

A handwritten signature in black ink, appearing to read 'Katie Teasdale', written over a faint circular stamp.

**Kathie Teasdale**

Partner

Bendigo

Dated: 20 November 2017

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