Annual Report 2017

Tumby Bay District Financial Services Limited

ABN 99 145 161 093

Tumby Bay District **Community Bank**® Branch

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Chairperson's report

For year ending 30 June 2017

This report covers the 6th year of operation for Tumby Bay District Financial Services Limited, and my second as Chairperson, of our community-owned company.

On behalf of the Board of Directors, I commend my Chairperson's report to our shareholders.

As you will see from the financial reports it has been an extremely busy year for the **Community Bank**® branch. The company grew its total business from $40.98 million to $58.38 million during the 2016/17 financial year. A 42.45% increase. A big thank you to the staff and my fellow Directors for a great effort in building partnerships that strengthened our community connections and the business. However, there is still a way to go to break even, as an estimated $77 million is required to return dividends to shareholders.

We are pleased with the growth we have received from the opening of the agency at Cleve, as this has contributed $11 million in business to our company.

Tumby Bay District Financial Services Limited is supported by an overdraft provided by Bendigo and Adelaide Bank Limited and we are appreciative of the ongoing support received from them. We continue to reduce this overdraft; however, the financial position does mean that we have been unable to pay a dividend to our shareholders again this year.

Changes made eight months ago, based on transactional data, I believe have been vindicated. It was a brave call to reduce the hours but this was introduced with utmost thought and with the business foremost in mind. With the reduced business expenses and greater productivity, this has enabled wonderful growth in business. I commend Branch Manager, Judy Arbery on her hard work within the branch this year. She has built a great team around her with Michelle Parker, Anita Pedemonte, Janet Shepherd, Karlee Dunn, Natasha Jackson and more recently Hannah Lienert. Well done staff!

The serving Directors have been Paul Stoddard as Vice Chairperson, Helen Ware, Anne Swaffer, Tom Tierney, Stephen Hibbit, Lyndon Crosby and myself with Wayne Branson on 12 months leave of absence. Ned Roberts has been the Company Treasurer and he has worked tirelessly to assist the Board in its endeavors to bring the company to profitability. Janet Shepherd has been the Company Secretary and I thank her for her assistance and dedication with governance of the company.

It has been wonderful to work with such a diverse, dedicated team. There are challenges but I believe in the end goal which is what makes it all worthwhile. Change is a good thing and so there are some Directors moving on and new ones taking up the challenge. I look forward to what the new Board will bring.

It would be remiss of me not to mention the dedicated Cleve Committee ably lead by Lyndon Crosby. I look forward to tracking the Cleve progress and prosperity in the future. Lyndon is the Cleve representative on the Board.

The Board's current Strategic Plan includes looking at the possibility of an agency being established in Cowell and this option will be explored in the new year.

Another initiative going forward is to promote and drive forward the rural banking needs of our community. The Directors worked very hard to show that it was vital to have more support in the agri-business area. I am pleased to say that Bendigo Bank have supported this initiative and provided another Rural Banking person for Lower Eyre Peninsula. Chris Miller has moved into this role as the Agri-Business Manager and we look forward to working with him as he works to increase the rural sector of our business. Richard Murphy was recently appointed, for three days a week, to assist the Agri-Business Manager. I am really excited to have Richard on board and look forward to seeing him in branch and working in our community. John Robins has the role of Business Banking Manager and is also in the branch weekly.

Chairperson's report (continued)

I believe there is great momentum and business opportunities in the Tumby Bay community. This has stemmed from the **Community Bank**® breakfast 12 months ago. From this meeting the Tumby Bay Progress Association has been re-invigorated, with moves to build a stronger business community by creating tourism opportunities, ie Colour Tumby.

Colour Tumby is about identifying, creating and delivering a range of community projects that will have significant social and economic benefits for our community. I believe the Tumby Bay District **Community Bank**® Branch needs to be a part of this momentum because if this branch is to remain the base of this **Community Bank**® company, there needs to be buy in from our local community.

The message is still the same as last year, we need your business. If we have all shareholders supporting the business that have invested their money, then this **Community Bank**® company will be profitable. We need you now. It can't be when we reach profitability because the sooner you come on board, the sooner profitability is reached.

Bendigo Bank hosts a great banking model in the **Community Bank**® concept. With stronger community backing we will be able to give more back to our community. Momentum is driven by community support.

Julie Elliott
Chairperson

Director history

Inaugural Directors		Previous Directors
Kevin Cook	Chairman	Tania Harris
Wayne Branson	Deputy Chairman	Sally Richardson
Julie Elliott	Company Secretary	Damian Modra
Ned Roberts	Treasurer	Nerissa Schuster
Emma Pedler		Janet Shepherd
Donald Bawden		Grantley Telfer
Ian Fulton		
Robert Heath		
Hartley Modra		
Malvern Telfer		

Manager's report

For year ending 30 June 2017

The 2016/17 financial year has been one of change.

We are now eight months into our changed business hours and structure within the branch. After a comprehensive analysis of the business and customer behaviours we realigned our business model to meet 'banking of the future' needs. This included placing more staff into roles to better support the more complex transactions and enquiries, getting out of the branch and into the community to meet with our customers and potential customers, and working closely with our customers to meet their personal and financial goals.

The changes have been positive in a number of ways including our profitability. As we anticipated under the new model, we have had stronger results through reduced costs and increased business despite being open less hours at the branch for transactional activity. We have also provided increased opportunity for development of staff through reducing telling to one staff member and having three Customer Relationship Officers (CRO).

Staffing has been one of change also with parental leave for Karlee that has now been extended by eight months and the return of Anita who will be take more parental leave later this year with her second child. We have recruited Hannah Lienert on a 12-month contract as a CRO to cover this leave. She comes with 4.5 years' experience with BankSA in Cleve.

Cleve agency has contributed well to our growth with approximately $11 million in Balance Sheet footings now held. Overall, we have had a strong 12 months and this has come off the back of implementing different initiatives and modifying our strategic and operational plans in order to get the result we are aiming for. The Cleve community have seen the benefits our customers are providing by banking with us, through the sponsorships that have been provided. The Cleve agency committee are a committed and dedicated team who work with the community in providing sponsorship funds.

The Tumby Bay community has much to thank our customers for with various sporting clubs, Redcliff campsite and a number of health groups receiving sponsorship funds. It really does provide an incentive for us knowing that with the growth of the business that the community through clubs and infrastructure can grow too. In summary, we have provided just over $82, 000 in sponsorships to date.

Our business growth this past year has been the strongest to date with an increase of 42% in value of all deposits and loans. The Balance Sheet footings comprised of our deposit and loans as at 30 June 2017 are as follows:

Loan Balance	$16.678 million
Deposits	$25.099 million
Other Business including Sandhurst and Rural Bank	$16.928 million
Total Business	$58.706 million

I would like to thank the team: Michelle Parker, Anita Pedemonte, Janet Shepherd, Karlee Dunn, Natasha Jackson and Hannah Lienert. To navigate through significant change in such a positive manner, support each other and for the commitment to keeping our customer centre of all we do, has been a first class effort.

We have strong support from our business partners in Financial Planning – Tiffany Cosh, Agribusiness – Chris Miller and Business Banking- John Robins. These specialists are here to support our team in providing holistic solutions to our customer's personal and financial goals. Chris Miller has been named 'National Agribusiness Relationship Manager of 2016/17' recognising the relationships, knowledge and solutions Chris has been able to provide our farming community.

So through this year of change, strong business outcomes and community investment, I would like to congratulate our volunteer Board for driving the changes for better outcomes for our customers, shareholders and team. They have given willingly many hours of their time and individual expertise to serve our community.

Judy Arbery
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2017

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

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

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

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

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

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

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

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

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

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

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

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

Robert Musgrove
Executive Engagement Innovation

2016/17 Donations & sponsorships

Name of recipient	Description	$
Donations		
Port Neill Primary School	School sports day BBQ	150
Tumby Bay Lions Club	Christmas Street Parade	40
Tumby Bay Meals on Wheels	Annual donation	50
	Total donations paid	**240**
Sponsorship		
Royal Flying Doctor Service	Tumby Bay concert	200
Tumby Bay Markets	2017 Market @ Tumby Bay	500
Tumby Bay Netball Club	Annual sponsorship	300
Tumby Bay Football Club	Annual sponsorship	300
Eyre United Netball Club	Annual sponsorship	300
Eyre United Football Club	Annual sponsorship	300
SA Rural Womens Gathering	2017 Cleve event	500
Eastern Ranges Football/Netball Club	Annual sponsorship	1,000
Cleve Bowling Club	Annual sponsorship	500
Darke Peak Golf Club	Ball cleaner	395
Cleve Probus Club	EP Rally	400
Ports Football/Netball Club	Annual sponsorship	600
Franklin Harbour Ag Bureau	Sticky Beak Day	100
Yallunda Flat Show	Yallunda Flat Track & section	250
Tumby Bay Kindergarten	Special Needs aids	300
Crossville Ag Bureau	Bus trip catering	500
Roberts-Verran Ag Bureau	Sticky Beak Day	200
Port Neill Bowls Club	January tournament	400
Port Neill Progress Association	Twilight market under the Pines	200
Tumby Bay Bowls Club	Annual sponsorship	500
Cleve & Districts Health Awareness	Health Awareness night	245
EP Partners in Grain	Agri-awareness seminars for women	200
Tumby Bay Community Business Breakfast	Inaugural breakfast	100
	Total sponsorship paid	**8,290**
Grant		
Redcliff Campsite	Towards new ovens	1,000
	Total grant paid	**1,000**
	2016-17 Grand total	**9,530**
	Total contributions since 2011	**83,450**
Bendigo Bank Mortlock Shield	EP **Community Bank**® branches – Cummins, Port Lincoln, Tumby Bay. Collaborative Marketing.	15,000

If you are involved with a community organisation or sporting club,
Tumby Bay District **Community Bank**® Branch welcomes your banking.

Directors' report

For the financial year ended 30 June 2017

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

Directors

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

Name and position held	Qualifications	Experience and other Directorships
Wayne Branson Director Director since 12 July 2010	Tourism Accommodation Manager	Board member for several local clubs. Over 40 years experience in the rural industry.
Edward Roberts Treasurer Director since 13 July 2010 Resigned 23 November 2016	Retired District Clerk	Board member for several local clubs. Member of the Australian Society of Accountants.
Julie Elliott Chairman Director since 12 July 2010	Clerical Officer	Board member for several local clubs. Local Government experience. Past Company Secretary
Grantley Telfer Director Director since 20 December 2012 Resigned 23 November 2016	Agricultural Business Proprietor	Experienced member of several local clubs. Experience in rural industry and property development.
Helen Ware Director Director since 26 November 2013	Primary Producer	Previous experience as a teacher and educational roles. Involved in several local community committees and activities.
Elizabeth Swaffer Director Appointed 12 November 2015	Retired District Nurse	Previous experience in nursing. Involved in local sports clubs and church.
Thomas Tierney Director Appointed 19 January 2016	Retired Business Owner	Previous experience in banking and running own business. Involved in local sports clubs and Lions Club
Paul Stoddard Director Appointed 19 January 2016	Jewellery Design & Manufacturing	Experience in managing jewellery production and running own business.
Stephen Hibbit Director Appointed 31 January 2017	Fitness Instructor	Bachelor of Business (Business Administration). Former Director of BHP Credit Union.
Lyndon Crosby Director Appointed 23 May 2017	Assistant Manager of Machinery dealership	Farming experience. Board member of local Hospital and Aged Care.

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)

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank®** 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 loss of the company for the financial year after provision for income tax was $14,369 (2016 loss: $535,695), which is a 97% decrease as compared with the previous year.

The net liabilities of the company have increased to $452,678 (2016: $438,309). This is largely due to the operating loss made for the year ended 30 June 2017.

Dividends

No dividends were declared or paid during the financial year.

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.

After balance date events

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.

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.

Corporate governance

The company has implemented various corporate governance practices, which include:

(a) The establishment of an audit committee;

(b) Director approval of operating budgets and monitoring of progress against these budgets;

(c) Ongoing Director training; and

(d) Monthly Director meetings to discuss performance and strategic plans.

Directors' report (continued)

Directors' meetings

The number of Directors' meetings held during the year was nine. Attendances by each Director during the year were as follows:

Director		Board Meetings #	Audit Committee Meetings #
Wayne Branson		4 (5)	N/A
Edward Roberts	Resigned by 23 November 2016	5 (5)	3 (3)
Julie Elliott		7 (9)	2 (2)
Grantley Telfer	Resigned by 23 November 2016	4 (5)	1 (1)
Helen Ware		7 (9)	N/A
Elizabeth Swaffer		6 (9)	1 (2)
Thomas Tierney		7 (9)	N/A
Paul Stoddard		7 (9)	N/A
Stephen Hibbit		3 (4)	2 (2)
Lyndon Crosby		1 (3)	N/A

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
N/A - not a member of that Committee.

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.

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.

Company Secretary

Janet Shepherd has been Company Secretary since 21 October 2015.

Non audit services

The 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 5 did not compromise the external Auditor's:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the Auditor, and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Directors' report (continued)

Auditor independence declaration

The lead Auditor's independence declaration under s307C of the Corporations Act 2001 for the year ended 30 June 2017 is included within the financial statements.

Signed in accordance with a resolution of the Board of Directors at Tumby Bay on 27 September 2017.

Julie Elliott
Director

Auditor's independence declaration

RSM

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Tumby Bay District Financial Services Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief there have been no contraventions of:

a. The auditor independence requirements of the *Corporations Act 2001* in relation to the audit, and

b. Any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

Adelaide, South Australia

Date: 27 September 2017

DAVID WALL

Partner

Financial statements

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

	Notes	2017 $	2016 $
Revenue	2	452,273	286,372
Employee benefits expense	3	(248,217)	(288,762)
Depreciation and amortisation expense	3	(33,967)	(24,347)
Finance costs	3	(1,749)	(14,344)
Other expenses		(173,378)	(161,384)
Operating loss before charitable donations & sponsorships		**(5,038)**	**(202,465)**
Charitable donations and sponsorships		(9,331)	(14,764)
Loss before income tax		**(14,369)**	**(217,229)**
Tax (expense) / benefit	4	-	(318,466)
Loss for the year		**(14,369)**	**(535,695)**
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to members		**(14,369)**	**(535,695)**

The accompanying notes form part of these financial statements

Statement of Financial Position
as at 30 June 2017

	Notes	2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents	6	4,168	-
Trade and other receivables	7	37,908	21,129
Other current assets	8	6,475	7,210
Total current assets		**48,551**	**28,339**
Non-current assets			
Property, plant and equipment	9	75,259	95,670
Intangible assets	10	50,817	64,373
Total non-current assets		**126,076**	**160,043**
Total assets		**174,627**	**188,382**
Liabilities			
Current liabilities			
Trade and other payables	11	15,015	18,907
Borrowings - bank overdraft	6	549,857	531,339
Short term financial liabilities	12	14,912	14,912
Provisions	13	17,697	16,798
Total current liabilities		**597,481**	**581,956**
Non current liabilities			
Long term financial liabilities	12	29,824	44,735
Total non current liabilities		**29,824**	**44,735**
Total liabilities		**627,305**	**626,691**
Net assets		**(452,678)**	**(438,309)**
Equity			
Issued capital	14	863,359	863,359
Accumulated losses	15	(1,316,037)	(1,301,668)
Total equity		**(452,678)**	**(438,309)**

The accompanying notes form part of these financial statements

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

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2015		863,359	(765,973)	97,386
Loss for the year		-	(535,695)	(535,695)
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**(535,695)**	**(535,695)**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	22	-	-	-
Balance at 30 June 2016		**863,359**	**(1,301,668)**	**(438,309)**
Balance at 1 July 2016		863,359	(1,301,668)	(438,309)
Loss for the year		-	(14,369)	(14,369)
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**(14,369)**	**(14,369)**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	22	-	-	-
Balance at 30 June 2017		**863,359**	**(1,316,037)**	**(452,678)**

The accompanying notes form part of these financial statements

Statement of Cash Flows
for the year ended 30 June 2017

	Notes	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		435,474	288,035
Payments to suppliers and employees		(433,183)	(468,972)
Interest paid		(1,749)	(14,344)
Interest received		20	-
Net cash provided by/(used in) operating activities	**16**	**562**	**(195,281)**
Cash flows from investing activities			
Purchase of property, plant & equipment		-	(8,132)
Purchase of intangible assets		-	(67,781)
Net cash flows from/(used in) investing activities		**-**	**(75,913)**
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Proceeds from borrowings		-	75,365
Repayment of borrowings		(14,912)	(20,718)
Net cash provided by/(used in) financing activities		**(14,912)**	**54,647**
Net increase/(decrease) in cash held		(14,350)	(216,547)
Cash and cash equivalents at beginning of financial year		(531,339)	(314,792)
Cash and cash equivalents at end of financial year	**6**	**(545,689)**	**(531,339)**

The accompanying notes form part of these financial statements

Notes to the financial statements

For year ended 30 June 2017

These financial statements and notes represent those of Tumby Bay District Financial Services Limited.

Tumby Bay 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 the 27 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.

Economic Dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branches.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**® 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 assets 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) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are 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.

Note 1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Plant and equipment (continued)

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

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

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis 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	Depreciation rate
Fit out costs	10%
Plant & equipment	20%

The asset's 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.

Note 1. Summary of significant accounting policies (continued)

(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).

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 company's obligation for short-term employee benefits such as wages and salaries are recognised as part of current trade and other payables in the statement of financial position. The company's obligation for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

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.

Note 1. Summary of significant accounting policies (continued)

(i) Intangible assets and franchise fees

Franchise fee has 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 expense 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.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

(k) Revenue and other income

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

Interest, dividend and fee revenue is recognised when earned.

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

(l) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

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

(m) 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.

(n) 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.

(o) 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).

    This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Note 1. Summary of significant accounting policies (continued)

(o) 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)

The key changes that may affect the company on initial application include certain simplifications to the classification of financial assets.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

(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.

Although the Directors anticipate that the adoption of AASB 15 may have an impact on the company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

(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 transactions;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset items;
- 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.

(p) Loans and borrowings

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

Note 1. Summary of significant accounting policies (continued)

(q) Provisions

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

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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

(r) Share capital

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

(s) Comparative figures

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

(t) 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.

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.

Note 1. Summary of significant accounting policies (continued)

(u) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

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.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

Non derivative financial liabilities 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.

Impairment

A financial asset (or 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 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 on 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 measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial asset is reduced directly if no impairment amount was previously recognised in the allowance account.

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 events that have occurred are duly considered.

Note 1. Summary of significant accounting policies (continued)

(u) Financial instruments (continued)

Derecognition

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

(v) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the company incurred a loss of $14,369 and had net cash inflows from operating activities of $562 and net cash outflows from financing activities of $14,912 for the year ended 30 June 2017. As at that date, the company had net current liabilities of $548,930 and net liabilities of $452,678.

The Directors believe that it is reasonably foreseeable that the company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

1. The company recognises that losses will be incurred during the start up phase of the business and while market access is being developed;
2. The business activities are supported by Bendigo and Adelaide Bank Limited, including assistance with the preparation and review of the company's annual cash flow budgets;
3. Bendigo and Adelaide Bank Limited has confirmed that it currently provides working capital by way of an overdraft facility with a limit of $650,000 (refer Note 16(b)); and
4. The provision of additional funding by Bendigo and Adelaide Bank Limited is dependent upon the company fulfilling its ongoing responsibilities under the Franchise Agreement and continuing to work closely with Bendigo and Adelaide Bank Limited management to further develop the business. The company believes that it is fulfilling these responsibilities.

Note 2. Revenue and other income

	2017 $	**2016 $**
Revenue		
- Franchise margin income	327,418	256,820
	327,418	**256,820**

	2017 $	2016 $

Note 2. Revenue and other income (continued)

Other revenue		
- interest received	20	-
- salary contribution - Bendigo and Adelaide Bank	104,025	-
- other revenue	20,810	29,552
	124,855	**29,552**
Total revenue	**452,273**	**286,372**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	218,750	246,875
- superannuation costs	19,755	22,429
- other costs	9,712	19,458
	248,217	**288,762**
Depreciation of non-current assets:		
- plant and equipment	20,411	19,939
Amortisation of non-current assets:		
- intangible assets	13,556	4,408
	33,967	**24,347**
Finance Costs:		
- Interest paid	1,749	14,344

Note 4. Tax expense

a. The components of tax benefit comprise

Current tax	-	-
Deferred tax	-	318,466
	-	**318,466**

	2017 $	2016 $

Note 4. Tax expense (continued)

b. The prima facie tax on loss before income tax is reconciled to the income tax as follows:

Prima facie tax on loss before income tax at 27.5% (2016: 28.5%)	(3,951)	(61,910)
Add / (less) tax effect of:		
- Deductible depreciation and amortisation	3,727	1,256
- Other allowable items	(857)	(3,919)
- Tax losses carried forward not brought to account	1,081	383,039
Income tax attributable to the company	**-**	**318,466**
Deferred tax assets		
Deferred tax assets arising from tax losses and deductible temporary differences have not been recognised at reporting date as realisation of the benefit is not regarded as probable.	**705,456**	**701,505**

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	5,150	5,150
- other services	6,370	6,280
	11,520	**11,430**

Note 6. Cash and cash equivalents

Cash at bank and in hand	**4,168**	**-**
Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
As per the statement of financial position	4,168	-
(Less) bank overdraft	(549,857)	(531,339)
As per the statement of cash flows	**(545,689)**	**(531,339)**

Note 7. Trade and other receivables

Current		
Trade receivables	37,908	16,802
GST Receivable	-	4,327
	37,908	**21,129**

Note 7. Trade and other receivables (continued)

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 $	Past due and impaired $	Past due but not impaired			Not past due $
			< 30 days $	31-60 days $	> 60 days $	
2017						
Trade receivables	37,908	-	-	-	-	37,908
GST Receivable	-					-
Total	**37,908**	**-**	**-**	**-**	**-**	**37,908**
2016						
Trade receivables	16,802	-	-	-	-	16,802
GST Receivable	4,327					4,327
Total	**21,129**	**-**	**-**	**-**	**-**	**21,129**

	2017 $	2016 $

Note 8. Other assets

Current

Prepayments	6,475	7,210
	6,475	**7,210**

Note 9. Property, plant and equipment

Leasehold improvements

At cost	196,060	196,060
Less accumulated depreciation	(122,458)	(102,851)
	73,602	**93,209**

	2017 $	2016 $
Note 9. Property, plant and equipment (continued)		
Plant and equipment		
At cost	15,353	15,353
Less accumulated depreciation	(13,696)	(12,892)
	1,657	**2,461**
Total written down amount	**75,259**	**95,670**
Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the reporting period	93,209	106,352
Additions	-	6,029
Depreciation expense	(19,607)	(19,172)
Balance at the end of the reporting period	**73,602**	**93,209**
Plant and equipment		
Balance at the beginning of the reporting period	2,461	1,125
Additions	-	2,103
Depreciation expense	(804)	(767)
Balance at the end of the reporting period	**1,657**	**2,461**

Note 10. Intangible assets

	2017 $	2016 $
Franchise fee		
At cost	67,781	67,781
Less accumulated amortisation	(16,964)	(3,408)
Total intangible assets	**50,817**	**64,373**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	64,373	1,000
Additions	-	67,781
Amortisation expense	(13,556)	(4,408)
Balance at the end of the reporting period	**50,817**	**64,373**

Pursuant to a five year franchise agreement with Bendigo and Adelaide Bank Limited, the company operates a branch of Bendigo and Adelaide Bank Limited, providing a core range of banking products and services.

	2017 $	2016 $

Note 11. Trade and other payables

	2017 $	2016 $
Current		
Unsecured liabilities:		
Trade creditors	1,162	7,412
GST payable	5,101	-
Other creditors and accruals	8,752	11,495
	15,015	**18,907**

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

Note 12. Financial liabilities

	2017 $	2016 $
Current		
Unsecured liabilities		
Loans	14,912	14,912
	14,912	**14,912**
Non-current		
Unsecured liabilities		
Loans	29,824	44,735
	29,824	**44,735**

Note 13. Provisions

	2017 $	2016 $
Current		
Employee benefits	**17,697**	**16,798**
Number of employees at year end	5	7
Movement in employee benefits		
Opening balance	16,798	12,247
Additional provisions recognised	15,379	21,863
Amounts utilised during the year	(14,480)	(17,312)
Closing balance	**17,697**	**16,798**

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave.

	2017 $	2016 $
Note 14. Share capital		
863,359 Ordinary Shares fully paid	863,359	863,359
Less: Equity raising costs	-	-
	863,359	**863,359**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	863,359	863,359
Shares issued during the year	-	-
At the end of the reporting period	**863,359**	**863,359**

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

Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

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

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

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

	2017 $	2016 $

Note 15. Accumulated losses

Balance at the beginning of the reporting period	(1,301,668)	(765,973)
Loss after income tax	(14,369)	(535,695)
Dividends payable	-	-
Balance at the end of the reporting period	**(1,316,037)**	**(1,301,668)**

Note 16. Statement of cash flows

(a) Reconciliation of cash flow from operations with loss after income tax

Loss after income tax	(14,369)	(535,695)
Non cash flows in loss		
- Depreciation	20,411	19,939
- Amortisation of franchise fee	13,556	4,408
Changes in assets and liabilities		
- (Increase) decrease in receivables / other assets	(16,044)	(8,542)
- (Increase) decrease in deferred tax asset	-	318,565
- Increase (decrease) in payables	(3,892)	1,592
- Increase (decrease) in provisions	900	4,551
- Increase (decrease) in deferred tax liability	-	(99)
Net cash flows from/(used in) operating activities	**562**	**(195,281)**

(b) Credit standby arrangement and loan facilities

The company has put in place a bank overdraft facility amounting to $650,000 (2016:$570,000) to assist with working capital requirements.

The overdraft facility is secured by a general security deed over all present and after acquired property granted by the company.

At 30 June 2017, $549,857 of this facility was used (2016:$531,339). No interest expense applies to this overdraft facility as this has been waived by Bendigo Bank.

Note 17. Related party transactions

The company's main related parties are as follows:

(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.

Note 17. Related party transactions (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.

(d) Key management personnel shareholdings

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

		2017	2016
Wayne Branson		11,301	11,301
Edward Roberts	Resigned 23 November 2016	2,501	2,501
Julie Elliott		2,051	2,051
Grantley Telfer	Resigned 23 November 2016	22,000	22,000
Helen Ware		3,000	3,000
Elizabeth Swaffer		5,000	5,000
Thomas Tierney		5,000	5,000
Paul Stoddard		-	-
Stephen Hibbit		-	-
Lyndon Crosby		-	-

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 18. Subsequent events

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

Note 19. Contingent liabilities and contingent assets

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

Note 20. 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 Tumby Bay, South Australia. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2014: 100%).

Note 21 Company details

The registered office & principle place of business is: 7 North Terrace, Tumby Bay SA 5605.

Note 22. Dividends paid or provided for on ordinary shares

Dividends paid during the year

No dividends were paid or proposed by the company during the period.

Note 23. Financial risk management

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 & cash equivalents	6	4,168	-
Trade and other receivables	7	37,908	21,129
Total financial assets		**42,076**	**21,129**
Financial liabilities			
Trade and other payables	11	15,015	18,907
Borrowings	12	44,736	59,647
Bank overdraft	6	549,857	531,339
Total financial liabilities		**609,608**	**609,893**

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.

(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.

Note 23. Financial risk management (continued)

(a) Credit risk (continued)

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 statement of financial position.

The company has no 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.

	2017 $	2016 $
Cash and cash equivalents:		
A rated	4,168	-

(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.

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

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					
Trade and other payables	11	15,015	15,015	-	-
Loans and borrowings	12	44,736	14,912	29,824	-
Bank overdraft	6	549,857	549,857	-	-
Total expected outflows		**609,608**	**579,784**	**29,824**	**-**
Financial Assets - cash flows realisable					
Cash & cash equivalents	6	4,168	4,168	-	-
Trade and other receivables	7	37,908	37,908	-	-
Total anticipated inflows		**42,076**	**42,076**	**-**	**-**
Net (Outflow)/Inflow on financial instruments		**(567,532)**	**(537,708)**	**(29,824)**	**-**

30 June 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Trade and other payables	11	18,907	18,907	-	-
Loans and borrowings	12	59,647	14,912	44,735	-
Bank overdraft		531,339	531,339	-	-
Total expected outflows		**609,893**	**565,158**	**44,735**	**-**
Financial Assets - cash flows realisable					
Cash & cash equivalents	6	-	-	-	-
Trade and other receivables	7	21,129	21,129	-	-
Total anticipated inflows		**21,129**	**21,129**	**-**	**-**
Net (Outflow)/Inflow on financial instruments		**(588,764)**	**(544,029)**	**(44,735)**	**-**

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, fixed interest securities, and cash and cash equivalents.

Sensitivity analysis

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

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

	Profit $	**Equity $**
Year ended 30 June 2017		
+/- 1% in interest rates (interest income)	42	42
+/- 1% in interest rates (interest expense)	(5,946)	(5,946)
	(5,904)	**(5,904)**
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	-	-
+/- 1% in interest rates (interest expense)	(5,910)	(5,910)
	(5,910)	**(5,910)**

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

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

Fair value estimation

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

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

Note 23. Financial risk management (continued)

(d) Price risk (continued)

Fair values (continued)

	Note	2017		2016	
		Carrying amount $	Fair value $	Carrying amount $	Fair Value $
Financial assets					
Cash and cash equivalents (i)	6	-	-	-	-
Trade and other receivables (i)	7	-	-	-	-
Total financial assets		**-**	**-**	**-**	**-**
Financial Liabilities					
Trade and other payables (i)	11	-	-	-	-
Loans and borrowings	12	-	-	-	-
Total financial liabilities		**-**	**-**	**-**	**-**

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

Directors' declaration

The Directors of the company declare that:

1 the accompanying financial statements and notes are in accordance with the Corporations Act 2001 and:

 (a) comply with Australian Accounting Standards, and

 (b) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the company;

2 the financial statements and notes thereto comply with International Financial Reporting Standards, as disclosed in Note 1; and

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

Julie Elliott
Director

Dated this 27 day of September 2017

Independent audit report

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INDEPENDENT AUDITOR'S REPORT
To the Members of Tumby Bay District Financial Services Limited

Opinion

We have audited the financial report of Tumby Bay District Financial Services Limited. (the Company), 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, the accompanying financial report of the Company 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 to the extent described in Note 1, and the Corporations Regulations 2001.

Basis for opinion

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

Emphasis of matter – basis of accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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 the 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.

Responsibilities 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 and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the Corporations Act 2001 and is appropriate to meet the needs of the members. The directors' responsibility also includes 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 Company 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 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 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

D J Wall

RSM

RSM Australia Partners

Adelaide, South Australia
Date: 27 September 2017

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