



Annual Report 2017

Varsity Lakes Financial
Services Limited

ABN 57 127 396 454

Varsity Lakes **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2017

It is my great pleasure to present the Chairman's Report for this 2017 AGM of the Varsity Lakes **Community Bank**[®] Branch.

The 2016/17 financial year has seen a lot of challenges in both the business and banking sectors as a whole.

As a bank, we rely on maximising our margins to support and grow revenues and the continuance of the low interest rate environment has provided an ongoing hurdle to the banking business throughout 2016/17.

The banking environment is changing at a rapid pace. Changes in the way our customers are utilising banking services, along with increased developments in technology are seeing pressures on traditional banking revenue streams and in particular, the way our customers are interacting with us. One example of this is the dropping of individual branch transactions ie the number of people physically coming into the branch to transact with us over the counter. Development in mobile and online technology now provide less need for our customers to come to a physical branch. This, in turn, puts pressure on revenue opportunities in our market.

In light of these changes in the market place, our branch team, headed by Branch Manager Jodie Draffin, along with the current Board, have been working hard to not only maintain the revenue base but also grow it despite the changing landscape as mentioned above. However we can report a growth in gross revenues of 5.7% for the 2016/17 financial year.

In addition to this growth we have managed to maintain and find efficiencies in our cost structure to report a profit of \$69,955 for the 2016/17 financial year which is an increase of 117% on the previous financial year.

The Board set as its main goal back in the 2015/16 financial year, to take the company from a loss position to one of profit and we achieved this in 2016/17 with a profit of \$32,145. Our priority is to continue to build sustainable profits in this regard and it was pleasing to build on this again in 2016/17 with a profit of \$69,955.

However, we are not out of the woods yet. In the past year the company transitioned to Bendigo Bank (Corporates) Transfer Pricing Model. This saw a major change in the way the company is now remunerated for its services and continued work on growth of the company's loan book and customer base is still very much a main directional focus.

Our current branch footings under management have grown from \$52.3 million at 30 June 2016 to \$56.9 million at 30 June 2017 representing an 8% increase in growth of our lending and deposit portfolio. This growth needs to continue going forward and relies largely on the continued support of our valued stakeholders and community in referring business and using the banks extensive range of services.

At the time of writing this report I am pleased to announce that the current Board remains a highly motivated and passionate team, each bringing to the table a diverse range of skills to set and drive our future strategy in meeting the challenges that lay ahead.

We will be keeping in regular contact with current customers and shareholders, providing useful information on the products and solutions the branch can provide them to ensure we are top of mind as and when their financial needs arise. We see this as an important step in building our relationships and a major point of difference to our competitors.

Engagement and support to the Varsity Lakes community continues to be high on the Board's agenda and we once again have been proud to support a number of community events throughout the year.

Chairman's report (continued)

This support has been balanced with the financial resources of the business and provided in a strategic fashion, ensuring that the support is provided as a partnership with the bank and that there are clear outcomes for all parties. This is essential in order to remain viable.

The Varsity Lakes community is continuing to grow and develop and as a banking business for the community we want to make sure that we can continually support the needs of the community in a sustainable and viable way.

Finally, I would like to thank our team for all their support this year, that's the Varsity Lakes **Community Bank**[®] Branch team, our dedicated Directors and the local community. In particular, special thanks must go to our Branch Manager Jodie Draffin once again for her ongoing energy and proactive approach to everything she does for our bank and our community.

Thank you sincerely for your continued support.



Jason Skinner
Chairman

Manager's report

For year ending 30 June 2017

It is with pleasure that I present the Manager's report for Varsity Lakes Financial Services Limited for the 2016/17 Annual Report.

It has been a successful year seeing an increase in our profit of 117% and the second year of profit following last year since opening in 2008.

In relation to branch staff, the past 12 months we have welcomed Adam Robson to the team filling the customer relationship role after Sara Clarke left Bendigo Bank to pursue a career outside of the banking industry. Adam, together with Lisa Gallagher, the full time Customer Service Officer and Lisa Brockwell the part-time Customer Service Officer have all contributed to the branches most successful year since the branch opened its doors in 2008. With this momentum in full swing I can only hope that this will see more growth in the future, as we strive to be the bank of choice in our local community and recognised as the trusted financial partner connecting customers, community and business.

Varsity Lakes **Community Bank**[®] Branch has continued to support a number of worthy organisations, sporting clubs and events in the local area this financial year including:

- Queensland Police Legacy
- Varsity Lakes Community Limited
- Varsity Sports House
- Gold Coast Hospital Foundation
- White Ribbon
- Gold Coast project for Homeless youth
- Varsity Winterfest

The new financial year provides us with exciting opportunities, particularly with Varsity Lakes being named one of the property hotspots on the Coast and the potential growth for the Gold Coast with the fast-approaching 2018 Commonwealth Games. Together with our new team and our continued community engagement I would expect a steady growth in this period. Stay tuned!

I would like to take this opportunity to invite you, your family and friends to come in and meet the team. Allow us to show you why we are **Bigger than a bank**. We are committed to the Bendigo Bank's vision of being Australia's most customer-connected Bank and we believe the success of our customers is paramount to the success of our own business and community. The more we grow, the quicker we can reward the shareholders and invest more in this fantastic community.

Finally, I would like to thank the Board, my staff, our shareholders, customers and the Varsity Lakes community for their ongoing support and commitment to making Varsity Lakes **Community Bank**[®] Branch a success.



Jodie Draffin
Branch Manager

Directors' report

For the financial year ended 30 June 2017

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

Directors

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

Jason Robert Skinner

Chairman

Occupation: Accountant

Qualifications, experience and expertise: Jason is currently a director/CEO of Skinner Hamilton Accountants. His experience and expertise is in small to medium businesses. Also specialise in business development, taxation business structuring, business advisory and tax compliance.

Special responsibilities: Finance and Marketing Committees

Interest in shares: Nil

Wayne McArthur Clinton

Secretary

Occupation: Manager, Bethany Care Ltd

Qualifications, experience and expertise: BSc (Monash 1975), BD hons (MCD 1980), Voc Grad Diploma Community Services Management 2012. Wayne is Former President, Gold Coast Community Care Association Inc. and has a long history in Church organisations, School Chaplaincy committees, etc. Wayne is currently employed as Manager of a not-for-profit government funded disability support service which requires oversight of quality systems, legislative compliance, financial management, HR management, etc. Founding Director of Varsity Lakes Financial Services Limited.

Special responsibilities: Company Secretary

Interest in shares: 4,501

Mark Clifford Henry

Director

Occupation: Business Advisor

Qualifications, experience and expertise: Mark has over 25 years direct experience in general and financial management in the small and medium business sector, predominantly in south east Queensland and northern NSW and extending to Sydney, Melbourne, Adelaide and Hobart. This experience has been gained through senior management employment in various companies; project consulting; and ownership of various small businesses in the Accounting software sector and the CRM (Customer Relationship Management) software sector. Business qualifications include Master of Business Administration (Bond), and Fellow of the Institute of Public Accountants. Mark's community involvement has substantially been in Chambers of Commerce and he was awarded Life Membership of the Gold Coast Central Chamber, for services over many years in the Burleigh Heads business community. Through his private company, Profit Growth Pty Ltd, Mark currently works with various clients on project related and financial control activities, grant writing and sourcing.

Special responsibilities: Marketing Committee

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Julie Anne Edwards

Director

Occupation: Corporate Behaviour

Qualifications, experience and expertise: Founder and managing director of Polevantt – An organizational development company specialising in corporate behaviour and leadership. Masters in Education, University of WA. Graduate of Australian institute of company directors. Certificate of entrepreneurship and innovation at Swinburne University. 20 years experience in coaching and facilitating growth in individuals, teams and organisations.

Special responsibilities: Strategic planning, people and culture

Interest in shares: Nil

Valentina Nenadic

Director (Appointed 27 April 2017)

Occupation: Real estate

Qualifications, experience and expertise: Have been involved through all his real estate career with supporting the community - P & C member at Herrimac Primary and Varsity College, supported and volunteered at QLD flood recovery. Daniel Hortcombe Foundation, Cancer Council awareness, harcarts foundation, Movember.

Special responsibilities: Nil

Interest in shares: Nil

Duane Dammon Williams

Director (Appointed 29 June 2017)

Occupation: Lawyer

Qualifications, experience and expertise: Senior Associate MBA Lawyers. Lawyer admitted to Queensland Supreme court and high court Australia.

Special responsibilities: Risk and Compliance

Interest in shares: Nil

Jeszaen Wesley Lee

Director (Resigned 29 September 2016)

Occupation: Community Engagements and Communications

Qualifications, experience and expertise: Chairman – Mermaid Robina Branch of the LNP (present). Chairman – Mermaid Beach State Electoral Council(SEC) of the LNP (present). Electorate Officer – Federal Member for McPherson (2010-2012). Assistant Electorate Office – State Member for Surfers Paradise (2009-2010). Intern – State Member for Mermaid Beach (2008-2009). Retail Assistant – Royal Copenhagen Ice Cream (2006-2010).

Special responsibilities: Marketing Committee

Interest in shares: Nil

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

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

Company Secretary

The company secretary is Wayne Clinton. Wayne was appointed to the position of secretary on 22 April 2009.

Wayne is the former President of Gold Coast Community Care Incorporated and holds a B Sc (Monash 1975) and Bdhons (MCD 1980). Wayne is currently employed as a manager of Bethany Care Limited, a not for profit government funded disability services provider.

Directors' report (continued)

Principal Activities

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

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

Operating results

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

Year ended 30 June 2017 \$	Year ended 30 June 2016 \$
193,674	32,145

Dividends

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

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 19 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' report (continued)

Directors' meetings

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

	Directors' Meetings	
	Eligible	Attended
Jason Robert Skinner	7	6
Wayne McArthur Clinton	7	7
Mark Clifford Henry	7	6
Julie Anne Edwards	7	5
Valentina Nenadic (Appointed 27 April 2017)	6	5
Duane Dammon Williams (Appointed 29 June 2017)	6	4
Jeszaen Wesley Lee (Resigned 2 December 2016)	1	-

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed in accordance with a resolution of the board of directors at Varsity Lakes, Queensland on 18 August 2017.



Jason Robert Skinner,
Chairman

Auditor's independence declaration



Partners in success

Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

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

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

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

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 18 August 2017

A handwritten signature in black ink, appearing to read 'David Hutchings'.

David Hutchings
Lead Auditor

Financial statements

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

	Notes	2017 \$	2016 \$
Revenue from ordinary activities	4	532,705	503,970
Employee benefits expense		(282,947)	(286,591)
Charitable donations, sponsorship, advertising and promotion		(17,542)	(16,683)
Occupancy and associated costs		(47,512)	(48,550)
Systems costs		(20,058)	(20,666)
Depreciation and amortisation expense	5	(19,625)	(19,987)
Finance costs	5	(4,690)	(7,554)
General administration expenses		(70,376)	(71,794)
Profit before income tax credit		69,955	32,145
Income tax credit	6	123,719	-
Profit after income tax credit		193,674	32,145
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		193,674	32,145
Earnings per share		¢	¢
Basic earnings per share	20	31.15	5.17

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2017

	Notes	2017 \$	2016 \$
ASSETS			
Current Assets			
Trade and other receivables	7	26,308	24,000
Total Current Assets		26,308	24,000
Non-Current Assets			
Property, plant and equipment	8	123,227	129,109
Intangible assets	9	17,140	30,883
Deferred tax asset	10	123,719	-
Total Non-Current Assets		264,086	159,992
Total Assets		290,394	183,992
LIABILITIES			
Current Liabilities			
Trade and other payables	11	29,028	29,779
Borrowings	12	75,130	145,808
Total Current Liabilities		104,158	175,587
Non-Current Liabilities			
Trade and other payables	11	-	15,843
Total Non-Current Liabilities		-	15,843
Total Liabilities		104,158	191,430
Net Assets/(Net Liabilities)		186,236	(7,438)
Equity			
Issued capital	13	597,884	597,884
Accumulated losses	14	(411,648)	(605,322)
Total Equity		186,236	(7,438)

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015	597,884	(637,467)	(39,583)
Total comprehensive income for the year	-	32,145	32,145
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2016	597,884	(605,322)	(7,438)
Balance at 1 July 2016	597,884	(605,322)	(7,438)
Total comprehensive income for the year	-	193,674	193,674
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2017	597,884	(411,648)	186,236

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		581,737	539,200
Payments to suppliers and employees		(491,966)	(481,492)
Interest paid		(4,690)	(7,554)
Net cash provided by operating activities	15	85,081	50,154
Cash flows from investing activities			
Payments for intangible assets		(14,403)	(13,742)
Net cash used in investing activities		(14,403)	(13,742)
Net increase in cash held		70,678	36,412
Cash and cash equivalents at the beginning of the financial year		(145,808)	(182,220)
Cash and cash equivalents at the end of the financial year	11	(75,130)	(145,808)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2017

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

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

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

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**[®] branch at Varsity Lakes, Queensland.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

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

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

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

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

b) Revenue

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

Revenue calculation

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Commission

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

Fee income

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

Discretionary financial contributions

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

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

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

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

Ability to change financial return

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

- leasehold improvements 40 years
- plant and equipment 2.5 - 40 years

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Financial liabilities

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

Impairment

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

l) Leases

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

l) Leases (continued)

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

m) Provisions

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

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- gross margin	357,933	359,582
- services commissions	33,777	57,824
- fee income	38,032	39,064
- market development fund	43,750	47,500
- transitional payment	59,213	-
Total revenue from operating activities	532,705	503,970
Total revenues from ordinary activities	532,705	503,970

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	1,579	1,731
- leasehold improvements	4,303	4,477
Amortisation of non-current assets:		
- franchise agreement	2,291	2,291
- franchise renewal fee	11,452	11,488
	19,625	19,987
Finance costs:		
- interest paid	4,690	7,554
Bad debts	62	48

Note 6. Income tax expense/(credit)

The components of tax expense/(credit) comprise:		
- Future income tax benefit attributable to losses	-	7,218
- Movement in deferred tax	1,111	5,092
- Recoument of prior year losses	18,127	-
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	5,199
- Future income tax benefit attributable to prior year losses brought to account	(142,957)	(17,509)
	(123,719)	-

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 6. Income tax expense/(credit) (continued)		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense/(credit) as follows		
Operating profit	69,955	32,145
Prima facie tax on profit from ordinary activities at 27.5% (2016: 28.5%)	19,238	9,161
Add tax effect of:		
- timing difference expenses	(1,111)	(1,943)
	18,127	7,218
Movement in deferred tax	1,111	5,092
Adjustment to deferred tax to reflect change of tax rate in future periods	-	5,199
Future income tax benefit attributable to prior year losses brought to account	(142,957)	(17,509)
	(123,719)	-

Note 7. Trade and other receivables

Trade receivables	15,585	18,980
Prepayments	4,921	5,020
Accrued income	5,802	-
	26,308	24,000

Note 8. Property, plant and equipment

Leasehold improvements		
At cost	138,152	138,152
Less accumulated depreciation	(44,364)	(40,061)
	93,788	98,091
Plant and equipment		
At cost	57,397	57,397
Less accumulated depreciation	(27,958)	(26,379)
	29,439	31,018
Total written down amount	123,227	129,109

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 8. Property, plant and equipment (continued)		
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	98,091	102,568
Additions	-	-
Disposals	-	-
Less: depreciation expense	(4,303)	(4,477)
Carrying amount at end	93,788	98,091
Plant and equipment		
Carrying amount at beginning	31,018	32,749
Additions	-	-
Disposals	-	-
Less: depreciation expense	(1,579)	(1,731)
Carrying amount at end	29,439	31,018
Total written down amount	123,227	129,109

Note 9. Intangible assets

Franchise fee		
At cost	21,453	21,453
Less: accumulated amortisation	(18,592)	(16,301)
	2,861	5,152
Renewal processing fee		
At cost	57,260	57,260
Less: accumulated amortisation	(42,981)	(31,529)
	14,279	25,731
Total written down amount	17,140	30,883

Note 10. Tax

Non-Current:

Deferred tax assets		
- accruals	743	-
- tax losses carried forward	129,070	-
	129,813	-

Notes to the financial statements (continued)

	Note	2017 \$	2016 \$
Note 10. Tax (continued)			
Deferred tax liability			
- property, plant and equipment		6,094	-
		6,094	-
Net deferred tax asset		123,719	-
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income		(123,719)	-

Note 11. Trade and other payables

Current:

Other creditors and accruals	29,028	29,779
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Non-Current:

Other creditors and accruals	-	15,843
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Note 12. Borrowings

Current:

Bank overdrafts	75,130	145,808
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The bank overdraft has an approved limit of \$280,000 and currently attracts an annual variable interest rate per agreement with Bendigo & Adelaide Bank Limited. The effective average interest rate for 2017 was 4.24% (2016: 4.29%).

Note 12.(a) Reconciliation to cash flow statement

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

Bank overdraft	12	(75,130)	(145,808)
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Note 13. Contributed equity

621,709 ordinary shares fully paid (2016: 621,709)	621,709	621,709
Less: equity raising expenses	(23,825)	(23,825)
	597,884	597,884

Notes to the financial statements (continued)

Note 13. Contributed equity (continued)

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 93. As at the date of this report, the company had 106 shareholders.

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

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

Notes to the financial statements (continued)

Note 13. Contributed equity (continued)

Prohibited shareholding interest (continued)

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

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

	2017 \$	2016 \$
Note 14. Accumulated losses		
Balance at the beginning of the financial year	(605,322)	(637,467)
Net profit from ordinary activities after income tax	193,674	32,145
Balance at the end of the financial year	(411,648)	(605,322)

Note 15. Statement of cash flows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	193,674	32,145
Non cash items:		
- depreciation	5,882	6,208
- amortisation	13,743	13,779
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(2,308)	(9,445)
- (increase)/decrease in other assets	(123,719)	-
- increase/(decrease) in payables	(2,191)	7,467
Net cash flows provided by operating activities	85,081	50,154

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 16. Leases		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	40,560	40,560
- between 12 months and 5 years	10,140	50,700
- greater than 5 years	-	-
	50,700	91,260

The property lease is a non-cancellable lease with a five year term. The lease term commenced 30 September 2013. Rent is payable monthly in advance and increases annually in line with CPI. With two further options to renew for five years.

Note 17. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:

- audit and review services	4,200	4,100
- non audit services	1,910	2,260
	6,110	6,360

Note 18. Director and related party disclosures

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

Jason Robert Skinner
 Wayne McArthur Clinton
 Mark Clifford Henry
 Julie Anne Edwards
 Valentina Nenadic (Appointed 27 April 2017)
 Duane Dammon Williams (Appointed 29 June 2017)
 Jeszaen Wesley Lee (Resigned 2 December 2016)

No director's fees have been paid as the positions are held on a voluntary basis.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2017 \$	2016 \$
Transactions with related parties:		
Jason and his accounting firm provided Varsity Lakes with Xero accounting software for \$660. This transaction was performed at market price.	660	660

Notes to the financial statements (continued)

Note 18. Director and related party disclosures (continued)

	2017	2016
Directors' Shareholdings		
Jason Robert Skinner	-	-
Wayne McArthur Clinton	4501	4,501
Mark Clifford Henry	-	-
Julie Anne Edwards	-	-
Valentina Nenadic (Appointed 27 April 2017)	-	-
Duane Dammon Williams (Appointed 29 June 2017)	-	-
Jeszaen Wesley Lee (Resigned 2 December 2016)	-	-

There was no movement in directors' shareholdings during the year.

Note 19. Key management personnel disclosures

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

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

	2017 \$	2016 \$
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Note 20. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	193,674	32,145
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	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	621,709	621,709

Note 21. Events occurring after the reporting date

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

Note 22. Contingent liabilities and contingent assets

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

Note 23. Segment reporting

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

Notes to the financial statements (continued)

Note 24. Registered office/Principal place of business

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

Registered Office

Shop 7/195 Varsity Parade
 VARSITY LAKES QLD 4227

Principal Place of Business

Shop 7/195 Varsity Parade
 VARSITY LAKES QLD 4227

Note 25. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 %	2016 %
Financial assets												
Receivables	-	-	-	-	-	-	-	-	15,585	18,980	N/A	N/A
Financial liabilities												
Interest bearing liabilities	75,130	145,808	-	-	-	-	-	-	-	-	4.24	4.37

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

Notes to the financial statements (continued)

Note 25. Financial instruments (continued)

Sensitivity Analysis (continued)

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

	2017	2016
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	(751)	(1,458)
Decrease in interest rate by 1%	751	1,458
Change in equity		
Increase in interest rate by 1%	(751)	(1,458)
Decrease in interest rate by 1%	751	1,458

Directors' declaration

In accordance with a resolution of the directors of Varsity Lakes Financial Services Limited, we state that:

In the opinion of the directors:

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

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



Jason Robert Skinner,
Chairman

Signed on the 18th of August 2017.

Independent audit report



Independent auditor's report to the members of Varsity Lakes Financial Services Limited

Report on the audit of the financial statements

Our opinion

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

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

What we have audited

Varsity Lakes Financial Services Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

Independent audit report (continued)

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 18 August 2017



David Hutchings
Lead Auditor

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