Annual Report 2017

Warrandyte Community Financial Services Limited

ABN 70 102 635 147

Warrandyte **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2017

We are all changing and evolving and your **Community Bank**® company is no exception. During the 12 months to 30 June 2017, we saw changes to both the branch team and to your Board. We farewelled Directors Matt Wilson and David Mooney and we appointed three new Directors; Anna Bishop, Leasa Dyason and Lance Ward to the Board. Leasa and Lance who have recently joined us will be standing for election at our Annual General Meeting (AGM) and are looking forward to their first official 'night of nights' and Anna, who joined us in August last year is looking forward to her second!

Changes in the branch team during the period saw a change in our Branch Manager when we said goodbye to Sam Pearce and promoted Cheryl Meikle to Branch Manager. Another change was the appointment of Adrian Yong in the role of Mobile Business Development Manager. Cheryl and Adrian are great assets to our team as shown by the successful branch team efforts which have seen the business strengthen. This business strength allows us to again make a dividend payout ratio of 12 cents per share. For a small local company, being able to continue to reward our shareholders with such a dividend return is particularly pleasing.

I'd like to take this opportunity to thank all Directors past and present who have provided their valuable volunteer services to our bank and to thank our branch staff past and present who, let's face it, make it all possible.

During the year the Board held its annual strategy meeting to review performance and set objectives. This year's meeting held in April reviewed our Vision Statement and we agreed that our statement "To be the trusted bank where all the local community does business with us for our customers' and community's direct benefit", was still relevant and the reason why we are here.

But all visions require underpinning with action and we agreed on some key objectives to assist the further strengthening of our ability to provide funding support to all our local community groups. One of these objectives is to "Better tell the compelling **Community Bank**® story and achieve a deeper reach into our communities", a simple statement but it seems not everyone in our community knows what our points of difference are! As you know your bank has:

- a full range of banking products (including business, insurance, super and wealth creation),
- passionate and friendly local staff and a Board of experienced local Directors,
- committed approximately $350,000 during the period to local community groups, making a total of $2.4 million given to community groups since our inception in June 2003,
- returned full line banking services to the area; and
- great pride in delivering exceptional customer service.

One initiative we explored to achieve a "Deeper reach into our communities" was the hosting of a workshop / forum where members of the community could get together to discuss topics of interest. A pilot workshop was rolled out earlier this year when we held the Women in Business Forum which was a great success for our local business women. We aim to host similar such workshops / forums for differing groups within our community which we hope will be just as beneficial to the community. Please get in contact if you or your group has an idea for a community workshop / forum to see how we can work together to make it happen.

Chairman's report (continued)

Next year, the Warrandyte **Community Bank**® Branch will have been serving the local community for an amazing 15 years and we are working on plans for a special event to celebrate this milestone.

I am very proud of the great team in the branch and in the Boardroom, all of whom are keen to engage in conversations with you and your community groups to see how we can work together to our mutual benefit – you get superior banking services and we get to share more of our profit with you, our community!

Aaron Farr
Chairman

Manager's report

For year ending 30 June 2017

Since the last Annual Report, we have continued to grow our banking business to over $172 million. This is $13.9 million (8.77%) of growth over the past 12 months. For the second consecutive year we have exceeded expectations with strong insurance results via our CGU offerings on travel, home and contents, vehicle, landlord and business policies. Our growth in Sandhurst and Bendigo Smart Start Super products also exceeded our expectations.

This past 12 months saw the Warrandyte **Community Bank**® Branch commit approximately $350,000 in contributions to our local community groups. This means over $2.4 million has been provided for community contributions since our inception in 2003.

I would like to thank my dedicated staff members; Gavan Costin, Linda Marshall, Phun Nin and Caleb Sutton who continually go above and beyond to ensure our customers have a memorable experience when conducting their banking. During the past 12 months, we have welcomed Adrian Yong, our new Mobile Business Development Manager, into our team. We also farewelled our Branch Manager, Sam Pearce, and we thank him for his contributions to the Warrandyte **Community Bank**® Branch and wish him all the best in the future.

I sincerely thank the Board of Directors and administrative staff for their ongoing leadership, effort, time and continued support.

To our shareholders, community groups, local clubs and customers, I sincerely thank you for choosing us as your **Community Bank**® Branch. It is your support that enables us to continue to invest in the community. You are the voice and our story needs to be told at every opportunity to increase awareness throughout the community.

Thank you to our franchise partner, Bendigo and Adelaide Bank Limited, the fifth largest bank in Australia, who continue to support us as we grow in partnership with them and the community.

Banking is an everyday function for every single person in the community.

The difference with the **Community Bank**® model is that every time people bank with their local **Community Bank**® branch, the bottom line increases allowing us to provide more funds for our community.

The strength of our Warrandyte **Community Bank**® Branch is built on the back of our community in partnership with the people of Warrandyte, Wonga Park, Park Orchards and surrounding areas.

To ensure our continued success we encourage our shareholders, community sponsorship/grant recipients and their members to transfer their banking arrangements and also consider the range of competitive financial products available through our Warrandyte **Community Bank**® Branch. We also encourage existing customers, shareholders and Directors to not only bank with us but to spread the word and advocate for your local Warrandyte **Community Bank**® Branch.

On behalf of your local Warrandyte **Community Bank**® Branch I thank you all for your ongoing support and look forward to another successful year ahead.

Cheryl Meikle
Branch Manager

Directors' report

For the financial year ended 30 June 2017

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

Directors

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

Aaron Farr

Position	Chairman
Professional qualifications	B.Com., Grad Dip LP, LL.B
Experience and expertise	Lawyer

Monica Piery

Position	Deputy Chair
Professional qualifications	-
Experience and expertise	Boards and Committee Officer, with extensive corporate governance in ASX listed companies.

Clifford Dawson

Position	Company Secretary
Professional qualifications	B Ec, FCA
Experience and expertise	Past experience in public practice as a business advisor, tax agent and registered company Auditor

Darren Ryding

Position	Treasurer
Professional qualifications	B Bus (Accounting), FCPA
Experience and expertise	Experience in franchising, retail hospitality, automotive after-sales, manufacturing and financial services industries

John Provan

Position	Board Member
Professional qualifications	Registered Builder Practitioner
Experience and expertise	Experience in commercial and domestic construction

Mark Catchpoole

Position	Board Member
Professional qualifications	LL.B, LL.M
Experience and expertise	Extensive knowledge and experience in governance, company secretarial and legal matters as a commercial and corporate lawyer and company secretary.

Marianne (Anna) Bishop

Position	Board Member - Appointed 1 August 2016
Professional qualifications	B.ED, PostGrad DipEd
Experience and expertise	Teacher and training & development specialist.

Directors (continued)

Lance Ward

Position	Board Member - Appointed 7 March 2017
Professional qualifications	LL.B (Hons), PGDip Marketing
Experience and expertise	General Management, Sales & Marketing and Operations, Strategy Development and Execution

Leasa Dyason

Position	Board Member - Appointed 5 June 2017
Professional qualifications	LL.B (Hons)
Experience and expertise	Banking and finance litigation and corporate governance as a lawyer

Matthew Wilson

Position	Board Member - Resigned 12 July 2016
Professional qualifications	B. Bus
Experience and expertise	Risk Management and insurance, finance and general business.

David Mooney

Position	Board Member - Resigned 4 November 2016
Professional qualifications	MBA
Experience and expertise	Extensive executive and senior management experience in banking and financial services (retired)

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings		Audit & Governance Committee meetings	
Director	**A**	**B**	**A**	**B**
Aaron Farr	11	11	5	5
Monica Piery	11	9	5	3
Clifford Dawson	11	10	5	5
Darren Ryding	11	11	5	5
John Provan	11	9	N/A	N/A
Mark Catchpoole	11	8	N/A	N/A
Marianne (Anna) Bishop	10	8	N/A	N/A
Lance Ward	3	2	N/A	N/A
Leasa Dyason	1	1	N/A	N/A
Matthew Wilson	1	1	N/A	N/A
David Mooney	4	2	N/A	N/A

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

Company Secretary

Clifford Dawson has been the Company Secretary of Warrandyte Community Financial Services Limited since November 2015.

Clifford's qualifications include Bachelor of Economics and Fellow Chartered Accountant, and his past experience includes Public Practice Business Advisor, Tax Agent and Registered Company Auditor.

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $109,349 (2016: $111,890), which is a 2% decrease as compared with the previous year. The net assets of the company has increased to $1,315,594 (2016: $1,278,780).

Dividends

A fully franked dividend of 12 cents per share ($81,535) was declared and paid in respect of the year ended 30 June 2016. Subsequent to the end of the financial year, a fully franked dividend of 12 cents per share ($81,535) was declared in respect of the year ended 30 June 2017.

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

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

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

Directors' report (continued)

Proceedings on behalf of company

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

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 9 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

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

Aaron Farr
Chairman

Auditor's independence declaration

rsd Audit

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Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Warrandyte Community Financial Services Limited.

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

(i) the Auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSD Audit
Chartered Accountants

P. P. Delahunty
Partner
Bendigo
Dated: 28 September 2017

Financial statements

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

	Notes	2017 $	2016 $
Revenue	2	1,476,486	1,332,078
Expenses			
Employee benefits expense	3	(524,881)	(504,554)
Depreciation and amortisation	3	(30,498)	(33,103)
Bad and doubtful debts expense	3	(359)	(1,255)
Occupancy expenses		(86,380)	(78,334)
Other expenses	3	(248,025)	(248,392)
		(890,143)	**(865,638)**
Operating profit before charitable donations and sponsorships		**586,343**	**466,440**
Charitable donations and sponsorships		(433,553)	(307,729)
Profit before income tax		**152,790**	**158,711**
Income tax expense	4	(43,441)	(46,821)
Profit for the year		**109,349**	**111,890**
Other comprehensive income		-	-
Total comprehensive income for the year		**109,349**	**111,890**
Profit attributable to members of the company		109,349	111,890
Total comprehensive income attributable to members of the company		**109,349**	**111,890**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	17	16.09	16.47

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

Statement of Financial Position
as at 30 June 2017

	Notes	2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents	5	1,078,968	1,106,648
Trade and other receivables	6	128,353	119,280
Other assets	8	2,097	6,142
Total current assets		**1,209,418**	**1,232,070**
Non-current assets			
Property, plant and equipment	9	160,245	151,711
Intangible assets	10	12,897	26,741
Deferred tax assets	4	14,811	14,433
Total non-current assets		**187,953**	**192,885**
Total assets		**1,397,371**	**1,424,955**
Liabilities			
Current liabilities			
Trade and other payables	11	21,569	66,801
Current tax liability	4	8,330	19,369
Provisions	13	47,598	49,511
Total current liabilities		**77,497**	**135,681**
Non-current liabilities			
Provisions	13	4,280	1,494
Total non-current liabilities		**4,280**	**1,494**
Total liabilities		**81,777**	**137,175**
Net assets		**1,315,594**	**1,287,780**
Equity			
Issued capital	14	657,286	657,286
Retained earnings	15	658,308	630,494
Total equity		**1,315,594**	**1,287,780**

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

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

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2015		657,286	600,139	1,257,425
Profit for the year		-	111,890	111,890
Total comprehensive income for the year		**-**	**111,890**	**111,890**
Transactions with owners in their capacity as owners				
Dividends paid or provided	16	-	(81,535)	(81,535)
Balance at 30 June 2016		**657,286**	**630,494**	**1,287,780**
Balance at 1 July 2016		657,286	630,494	1,287,780
Profit for the year		-	109,349	109,349
Total comprehensive income for the year		**-**	**109,349**	**109,349**
Transactions with owners in their capacity as owners				
Dividends paid or provided	16	-	(81,535)	(81,535)
Balance at 30 June 2017		**657,286**	**658,308**	**1,315,594**

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

Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		1,592,244	1,411,281
Payments to suppliers and employees		(1,479,134)	(1,231,001)
Interest received		20,791	24,815
Income tax paid		(54,858)	(23,350)
Net cash provided by operating activities	**18b**	**79,043**	**181,745**
Cash flows from investing activities			
Purchase of plant and equipment		(25,188)	-
Net cash flows used in investing activities		**(25,188)**	**-**
Cash flows from financing activities			
Dividends paid		(81,535)	(81,535)
Net cash used in financing activities		**(81,535)**	**(81,535)**
Net increase / (decrease) in cash held		**(27,680)**	**100,210**
Cash and cash equivalents at beginning of financial year		1,106,648	1,006,438
Cash and cash equivalents at end of financial year	**18a**	**1,078,968**	**1,106,648**

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

Notes to the financial statements

For year ended 30 June 2017

These financial statements and notes represent those of Warrandyte Community Financial Services Limited.

Warrandyte Community 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 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**® branch at Warrandyte.

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

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

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

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank**® branches;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Human resource advice and guidance;
- 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) Impairment of assets

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

(c) Goods and services tax (GST)

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

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

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

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

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

(e) Comparative figures

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

(f) Critical accounting estimates and judgements

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

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

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

<u>Fair value assessment of non-current physical assets</u>

The AASB 13 Fair Value standard requires fair value assessments that may involve both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

<u>Employee benefits provision</u>

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

Note 1. Summary of significant accounting policies (continued)

(f) Critical accounting estimates and judgements (continued)

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset.

Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

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

(g) New accounting standards for application in future periods

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

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

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

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

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

a) Financial assets that are debt instruments will be classified based on:

   (i) the objective of the entity's business model for managing the financial assets; and

   (ii) the characteristics of the contractual cash flows.

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

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

AASB 16:

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

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity’s preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

Note 2. Revenue

Revenue

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

Rendering of services

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

Interest and other income

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

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

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

	2017 $	**2016 $**
Revenue		
- service commissions	1,456,215	1,310,741
	1,456,215	**1,310,741**
Other revenue		
- interest received	20,196	21,220
- other revenue	75	117
	20,271	**21,337**
Total revenue	**1,476,486**	**1,332,078**

Note 3. Expenses

Operating expenses

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

Depreciation

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

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

Class of asset	**Rate**	**Method**
Leasehold improvements	2.5% - 40%	SL & DV
Plant and equipment	5% - 50%	SL & DV
Motor vehicles	13%	SL

SL = Straight line method
DV = Diminishing value method

Note 3. Expenses (continued)

Gains/losses upon disposal of non-current assets

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.

	2017 $	2016 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	468,167	457,261
- superannuation costs	42,126	40,472
- other costs	14,588	6,821
	524,881	**504,554**
Depreciation and amortisation		
Depreciation		
- leasehold improvements	7,198	8,817
- plant & equipment	6,210	7,515
- motor vehicles	3,246	2,927
	16,654	**19,259**
Amortisation		
- franchise fees	2,307	2,307
- renewal process fees	11,537	11,537
	13,844	**13,844**
Total depreciation and amortisation	**30,498**	**33,103**
Bad and doubtful debts expenses	**359**	**1,255**
Auditors' remuneration		
Remuneration of the Auditor, Richmond, Sinnott & Delahunty, for:		
- Audit or review of the financial report	5,800	4,600
- Share registry services	3,376	4,237
	9,176	**8,837**

	2017 $	2016 $

Note 3. Expenses (continued)

Other Expenses

	2017 $	2016 $
- audit or review of financial report	5,800	4,600
- share registry	3,376	4,237
- insurance	20,045	14,848
- printing & stationary	12,263	11,694
- IT Equipment Lease	17,135	24,949
- IT Running Costs	7,796	6,861
- IT Support Costs	10,976	17,666
- electricity & gas	5,448	6,054
- repairs and maintenance	1,827	1,514
- rates	4,144	5,020
- telephone	7,824	8,613
- marketing	23,588	24,771
- professional fees	57,913	41,157
- other	69,890	76,408
	248,025	**248,392**

Note 4. Income tax

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

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

Deferred 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.

	2017 $	2016 $
a. The components of tax expense comprise:		
Current tax expense	43,819	46,392
Deferred tax expense	(378)	1,652
Over provision of prior years	-	(1,223)
	43,441	**46,821**

	2017 $	2016 $
Note 4. Income tax (continued)		
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2016: 28.5%)	42,017	45,233
Add tax effect of:		
- Over provision of prior years	-	(1,223)
- Non-deductible expenses	917	2,007
- Changes in company tax rates	507	804
Income tax attributable to the entity	**43,441**	**46,821**
The applicable weighted average effective tax rate is :	28.43%	29.50%
c. Current tax liability		
Current tax relates to the following:		
Current tax liability/(asset)		
Opening balance	19,369	(3,673)
Income tax paid	(54,858)	(23,350)
Current tax	43,819	46,392
	8,330	**19,369**
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax asset balance comprises:		
Accruals	1,519	1,076
Employee provisions	14,266	14,536
	15,785	**15,612**
Deferred tax liability balance comprises:		
Accrued income	974	1,179
Net deferred tax asset	**14,811**	**14,433**
e. Deferred income tax expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(173)	2,794
(Decrease) / increase in deferred tax liabilities	(205)	(1,142)
Over provision prior years	-	(1,223)
	(378)	**429**

Note 5. Cash and cash equivalents

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

	2017 $	2016 $
Cash at bank and on hand	162,996	211,458
Term deposits	915,972	895,190
	1,078,968	**1,106,648**

Note 6. Trade and other receivables

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

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

	2017 $	2016 $
Current		
Trade receivables	124,810	115,142
Other receivables	3,543	4,138
	128,353	**119,280**

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.

Note 6. Trade and other receivables (continued)

Credit risk (continued)

	Gross amount $	Not past due $	Past due but not impaired			Past due and impaired $
			< 30 days $	31-60 days $	> 60 days $	
2017						
Trade receivables	124,810	124,810	-	-	-	-
Other receivables	3,543	3,543	-	-	-	-
Total	**128,353**	**128,353**	**-**	**-**	**-**	**-**
2016						
Trade receivables	115,142	115,142	-	-	-	-
Other receivables	4,138	4,138	-	-	-	-
Total	**119,280**	**119,280**	**-**	**-**	**-**	**-**

Note 7. Financial assets

Classification of financial assets

The company classifies its financial assets in the following categories:

- loans and receivables, and
- held to maturity investments.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

<u>Loans and receivables</u>

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

<u>Held to maturity investments</u>

The group classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Note 7. Financial assets (continued)

Measurement of financial assets

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

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

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

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

Impairment of financial assets

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument’s fair value using an observable market price.

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

Derecognition

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.

Note 8. Other assets

Other assets represent items that will provide the entity with future economic benefits controlled by the entity as a result of past transactions or other past events.

	2017 $	2016 $
Prepayments	2,097	6,142
	2,097	**6,142**

Note 9. Plant and equipment

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

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

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

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

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

	2017 $	2016 $
Leasehold improvements		
At cost	174,139	174,139
Less accumulated depreciation	(83,402)	(76,204)
	90,737	**97,935**
Plant and equipment		
At cost	89,079	89,079
Less accumulated depreciation	(61,665)	(55,455)
	27,414	**33,624**
Motor Vehicles		
At cost	48,604	23,416
Less accumulated depreciation	(6,510)	(3,264)
	42,094	**20,152**
Total plant and equipment	**160,245**	**151,711**

	2017 $	2016 $

Note 9. Plant and equipment (continued)

Movements in carrying amounts

	2017 $	2016 $
Leasehold improvements		
Balance at the beginning of the reporting period	97,935	106,752
Depreciation expense	(7,198)	(8,817)
Balance at the end of the reporting period	**90,737**	**97,935**
Plant and equipment		
Balance at the beginning of the reporting period	33,624	41,139
Depreciation expense	(6,210)	(7,515)
Balance at the end of the reporting period	**27,414**	**33,624**
Motor Vehicles		
Balance at the beginning of the reporting period	20,152	23,079
Additions	25,188	-
Depreciation Expense	(3,246)	(2,927)
Balance at the end of the reporting period	**42,094**	**20,152**
Total plant and equipment		
Balance at the beginning of the reporting period	151,711	170,970
Additions	25,188	-
Depreciation expense	(16,654)	(19,259)
Balance at the end of the reporting period	**160,245**	**151,711**

Note 10. Intangible assets

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

	2017 $	2016 $
Franchise fee		
At cost	11,537	11,537
Less accumulated amortisation	(9,386)	(7,079)
	2,151	**4,458**
Renewal Process Fee		
At cost	57,684	57,684
Less accumulated amortisation	(46,938)	(35,401)
	10,746	**22,283**
Total intangible assets	**12,897**	**26,741**

Notes to the financial statements (continued)

	2017 $	2016 $
Note 10. Intangible assets (continued)		
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	4,458	6,765
Amortisation expense	(2,307)	(2,307)
Balance at the end of the reporting period	**2,151**	**4,458**
Renewal Process Fee		
Balance at the beginning of the reporting period	22,283	33,820
Amortisation expense	(11,537)	(11,537)
Balance at the end of the reporting period	**10,746**	**22,283**
Total intangible assets		
Balance at the beginning of the reporting period	26,741	40,585
Amortisation expense	(13,844)	(13,844)
Balance at the end of the reporting period	**12,897**	**26,741**

Note 11. Trade and other payables

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

	2017 $	2016 $
Current		
Unsecured liabilities:		
Trade creditors	1,653	25,660
Other creditors and accruals	17,963	18,834
GST payable	1,953	22,307
	21,569	**66,801**

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

Note 12. Financial liabilities

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

Note 12. Financial liabilities (continued)

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

Note 13. Provisions

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

	2017 **$**	**2016** **$**
Current		
Annual Leave	22,413	26,324
Long Service Leave	25,185	23,187
	47,598	**49,511**
Non-current		
Long Service Leave	4,280	1,494
Total provisions	**51,878**	**51,005**

Notes to the financial statements (continued)

Note 14. Share capital

Ordinary shares are classified as equity.

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

	2017 $	2016 $
679,460 Ordinary shares fully paid	679,460	679,460
Less: Equity raising costs	(22,174)	(22,174)
	657,286	**657,286**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	679,460	679,460
Shares issued during the year	-	-
At the end of the reporting period	**679,460**	**679,460**

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.

Note 15. Retained earnings

	2017 $	2016 $
Balance at the beginning of the reporting period	630,494	600,139
Profit after income tax	109,349	111,890
Dividends paid	(81,535)	(81,535)
Balance at the end of the reporting period	**658,308**	**630,494**

Note 16. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year		
Fully franked ordinary dividend of 12 cents per share (2016: 12 cents) franked at the tax rate of 28.5% (2016: 30%).	81,535	81,535

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

Note 17. Earnings per share

Basic earnings per share

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

	2017 $	2016 $
Basic earnings per share (cents)	16.09	16.47
Earnings used in calculating basic earnings per share	109,349	111,890
Weighted average number of ordinary shares used in calculating basic earnings per share.	679,460	679,460

Note 18. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:		
Cash and cash equivalents (Note 5)	1,078,968	1,106,648
As per the Statement of Cash Flow	**1,078,968**	**1,106,648**

	2017 $	2016 $

Note 18. Statement of cash flows (continued)

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

	2017 $	2016 $
Profit after income tax	109,349	111,890
Non-cash flows in profit		
- Depreciation	16,654	19,259
- Amortisation	13,844	13,844
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(9,073)	(14,454)
- (increase) / decrease in prepayments and other assets	4,045	676
- (Increase) / decrease in deferred tax asset	(378)	429
- Increase / (decrease) in trade and other payables	(45,232)	33,332
- Increase / (decrease) in current tax liability	(11,039)	23,042
- Increase / (decrease) in provisions	873	(6,273)
Net cash flows from operating activities	**79,043**	**181,745**

Note 19. Key management personnel and related party disclosures

(a) Key management personnel

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

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

	2017 $	2016 $
Short-term employee benefits	12,250	11,360
Total key management personnel compensation	**12,250**	**11,360**

Short-term employee benefits

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

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

Note 19. Key management personnel and related party disclosures (continued)

(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.

During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

Name of related party	Description of goods/services	Value $
Liz Ryding - related party of Darren Ryding	Bookkeeping services	15,123

The Warrandyte Community Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits.

The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be Nil for the year ended 30 June 2017.

(d) Key management personnel shareholdings

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

	2017	2016
Directors (current as at 30 June 2017)		
Aaron Farr	-	-
Monica Piery	-	-
Clifford Dawson	-	-
Darren Ryding	-	-
John Provan	10,001	10,001
Marianne (Anna) Bishop	-	-
Lance Ward	-	-
Leasa Dyason	-	-
Directors (resigned during the year)		
Matthew Wilson		
David Mooney	-	-
	10,001	**10,001**

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

(e) Other key management transactions

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

Note 20. Events after the reporting period

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

Note 21. Contingent liabilities and contingent assets

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

Note 22. Operating segments

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

Note 23. Company details

The registered office and principle place of business is 144 Yarra Street, Warrandyte, VIC 3113.

Note 24. Commitments

Operating lease commitments

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.

Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.

	2017 $	2016 $
Payable:		
- no later than 12 months	60,262	70,005
- between 12 months and five years	-	60,262
- greater than five years	-	-
Minimum lease payments	**60,262**	**130,267**

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance. The company has 2 x 5 year extension options.

Note 25. Financial risk management

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit and Governance Committee which reports regularly to the Board.

Note 25. Financial risk management (continued)

Specific financial risk exposure and management

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

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

	Note	2017 $	2016 $
Financial assets			
Cash and cash equivalents	5	1,078,968	1,106,648
Trade and other receivables	6	128,353	119,280
Total financial assets		**1,207,321**	**1,225,928**
Financial liabilities			
Trade and other payables	11	21,569	66,801
Total financial liabilities		**21,569**	**66,801**

(a) Credit risk

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

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

Credit risk exposures

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

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

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

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

(b) Liquidity risk

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

Note 25. Financial risk management (continued)

(b) Liquidity risk (continued)

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 the company'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 the company's expectations that banking facilities will be rolled forward.

30 June 2017	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1.75%	1,078,968	1,078,968	-	-
Trade and other receivables		128,353	128,353	-	-
Total anticipated inflows		**1,207,321**	**1,207,321**	**-**	**-**
Financial liabilities					
Trade and other payables		21,569	21,569	-	-
Total expected outflows		**21,569**	**21,569**	**-**	**-**
Net inflow / (outflow) on financial instruments		**1,185,752**	**1,185,752**	**-**	**-**

30 June 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	2.45%	1,106,648	1,106,648	-	-
Trade and other receivables		119,280	119,280	-	-
Total anticipated inflows		**1,225,928**	**1,225,928**	**-**	**-**
Financial liabilities					
Trade and other payables		66,801	66,801	-	-
Total expected outflows		**66,801**	**66,801**	**-**	**-**
Net inflow / (outflow) on financial instruments		**1,159,127**	**1,159,127**	**-**	**-**

Note 25. 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 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)	10,790	10,790
	10,790	**10,790**
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	11,066	11,066
	11,066	**11,066**

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

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

(e) Fair values

Fair 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 25. Financial risk management (continued)

(e) Fair values (continued)

Fair value estimation (continued)

	2017		2016	
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair Value $**
Financial assets				
Cash and cash equivalents (i)	1,078,968	1,078,968	1,106,648	1,106,648
Trade and other receivables (i)	128,353	128,353	119,280	119,280
Total financial assets	**1,207,321**	**1,207,321**	**1,225,928**	**1,225,928**
Financial liabilities				
Trade and other payables (i)	21,569	21,569	66,801	66,801
Total financial liabilities	**21,569**	**21,569**	**66,801**	**66,801**

(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

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

1. The financial statements and notes, as set out on pages 10 to 37 are in accordance with the Corporations Act 2001 and:

    (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

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

2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Aaron Farr
Director

Signed at Warrandyte on 27 September 2017.

Independent audit report

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WARRANDYTE COMMUNITY FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

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

In our opinion:

(a) the financial report of Warrandyte Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001;* and

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

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

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

Independence

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

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

Director's Responsibility for the Financial Report

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

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

Auditor's Responsibility

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

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

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

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

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

Independent audit report (continued)

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

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

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

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

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

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

Other Information

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

RSD AUDIT
Chartered Accountants

P. P. Delahunty
Partner
Bendigo
Dated: 28 September 2017

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