Annual Report 2017

Stonnington Community Financial Services Ltd

ABN 31 099 416 092

Windsor **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2017

Stonnington Community Financial Services Limited (SCFSL) trading as Windsor **Community Bank**® Branch is soon to enter its 16th year of trading and serving customers and community.

It is timely to acknowledge two exceptional aspects of our **Community Bank**® branch journey:

- Sponsorships and grants to local groups and dividends paid to local shareholders within our community now totals over $1.050 million invested back into our community and
- Jon Giovanni Caneva our founding Director and first Chair remains on the Board and continues to contribute to the **Community Bank**® company and community as Deputy Chair, Treasurer and Bookkeeper.

Jon's contribution is an extraordinary effort going back more than 15 years as it was Jon who gathered other local business people together to solve a problem as the major banks moved to close branches leaving business without essential local banking services. Jon says, "Instead of getting angry we got even and started our own Bank!"

Entering its 20th year and due to the foresight and effort of others like Jon, the Bendigo Bank **Community Bank**® model has grown to over 300 **Community Bank**® branches around Australia providing employment to over 2,000 staff, with over 2,000 volunteer Directors. Together we have invested over $200 million back into local communities in sponsorships, grants and shareholder dividends!

In 2016/17, SCFSL trading as Windsor **Community Bank**® Branch has nurtured and consolidated profitable trading and as a result has reserved funds to increase its sponsorship and grants programs within the community.

We have worked hard to restructure the branch team to improve the customer and the staff experience and we have worked hard to renew the Board by attracting talented Directors with experience in business and community.

The Board is now in a position to focus on a new Strategic Plan for 2017-2019 to promote and have a voice in what we stand for in Stonnington and to grow both the business and the investment we make in the community.

Challenges abound like in any other business as we navigate the changes in the way society thinks about and interacts with a bank.

We have also considered and now executed a new Franchise Agreement (FA) for a further 15 yrs. (3X5yr options) with Bendigo Bank that raises the expectation for trackable and considered management of the banking business based on product, pricing, margin and business mix. The obligation to do this has always been within our responsibility and the new FA is more explicit about the planning and management of this responsibility.

A key change within the new FA is the introduction of a new funds transfer pricing model (FTP) which is a more dynamic calculation of the margin we receive on loans and deposits which in turn impacts revenue shared. This is both a risk and opportunity for your Bank on the basis we pay attention to product and business mix.

The 2017/18 financial year will be another year of change and a year where we are well placed in the context of team, Board, partnership with Bendigo Bank and our current financial performance, to confidently refocus our attention on growth and into the community.

Leigh Powell
Chairman

Manager's report

For year ending 30 June 2017

Over the last 12 months we have seen an increase in all aspects of the business.

Not only have our customer numbers grown, we have also seen an increase in our lending book and Insurance space to bring our total footings growth to $128 million.

Our biggest achievement to date is that we have given over $1 million back to our local community.

We could not have achieved such a fantastic result without the tireless dedicated time of our staff, Board of Directors and our senior management team.

To Lauren, Rob, Lorri, Kathleen and Lachie. Thank you. I couldn't ask for a better team to help me steer this ship. You are all such an asset to our business and should be recognised for your efforts. Every one of you is an example of what we look for at Bendigo Bank.

To Leigh our Chairman and our Board of Directors, Sue, Julie, Jon, Raj, Cathy, Alice, Elizabeth and Noor, the support you show us and your dedication to the Stonnington community is something that needs to be commended. Thank you for your vision and passion you share.

To our senior Bendigo Bank management team, Rohan, Michael and Michelle, thank you for your commitment and unwavering assistance. The three of you have always been a huge support mechanism that make the wheels of the branch move effortlessly.

It would be remiss of me not to also mention the contribution to the branch by past staff members, Neelima, James, Oscar and Bash. Although they have taken on different paths in their careers and family life, we are indebted to them for their time here at Windsor.

The ways to do banking is forever evolving and although our customers are less of a physical presence in the branch, we are continuing to stay connected via out of branch visits, phone calls and e-mails. This is due to the incredible rapport we have all built up over the past 15 year - job well done everyone!

May the next 12 months be a triumphant success and Windsor **Community Bank**® Branch be forever visible within the Stonnington community.

Jarrod Pearse
Senior Customer Relationship Manager

Treasurer's report

For year ending 30 June 2017

Dear Shareholders,

Stonnington Community Financial Services Limited (SCFSL) achieved an operating profit of $185,976 for the 2016/17 financial year (before year-end adjustments), ahead of budget forecast of $174,238. Our Income for the year was $4,272 short of budget, which confirms that our tight control on expenditure is imperative in these times of volatile economic conditions. This year's result together with the strong result the previous year has enabled the business to build a cash base to enable us to further grow our business. Built into our expenses this year a $50,000 contribution was made to Community Enterprise Foundation™ to fund a substantial Community Grants Program in 2018. These strong results have enabled a further dividend this year, the Board has declared a 4 cents per share dividend fully franked.

Whilst our control on expenses has been tight, we are now moving in to a new era and as time always show there is change a foot. Bendigo Bank has introduced a new standard of dynamic pricing for deposit funds lodged and for loan funds required known as Funds Transfer Pricing (FTP), whilst extensive work has been undertaken to understand the true effect of this model, one thing is clear, that the revenue operations of old will need to change to meet the needs of the future. FTP commenced as of 1 July 2017. In March this year we employed a Mobile Relationship Manager (MRM), this is a new position in the branch but one that will change the way we do business into the future. Our MRM Lauren is out on the road visiting clients rather than working from the branch, so if you need to have us come to you, then Lauren is the person to contact.

In November we will renew our Franchise Agreement with Bendigo Bank for a further five years, with 15 years now under our belt we have seen much change in the banking industry and our partnership with our franchisor has grown to be a strong partnership.

Moving forward our focus is to continue to grow our loans and deposits and increase our share of the earnings so that we can continue to deliver support to our community and our shareholders through, grants, sponsorships and dividends.

None of these things would happen without a strong team, and I would like to commend our Board for their diligence and the strong leadership of our Chairman Leigh Powell, who without their efforts none of this is possible. More importantly in our team are our front line personnel led by Jarrod Pearse, who deal with all the day to day things that make banking work. To all in our team I say thank you for making my job easy.

Jon Caneva
Treasurer

Secretary's report

For year ending 30 June 2017

I began with Stonnington Financial Services Limited as a Board Director in May this year, and since then have taken on the role as Company Secretary, with the realisation that I have extremely 'big shoes' to fill. Jon Caneva as past Secretary, can now concentrate fully on the Treasurer role.

I would like to take the opportunity to thank both Jon Caneva and Leigh Powell not only for their faith in me, but for the assistance they have both given to me over the past three months as I have developed in this role.

Something that always inspires me is that so many people are willing to provide their time to be volunteers across their community, and in our case, as Directors of SCFSL. The nature of volunteering though is that good people come, and good people move on to other important aspects of their lives.

During the period of this report, SCFSL appointed Deepesh Daya and Nick Di'Lodovico, who both sadly resigned due to the growth of their own businesses, as did Adam Ferfoglia. We thank them for their respective efforts and contributions to the company.

SCFSL has welcomed four other new Directors over the course of the year. Sue Denmead, Alice Boriboun, Julie Scott, Elizabeth Weston and Cathy Seaholme.

Our Board now has a wealth of experience across many facets of business, such as not for profit, retail, legal, banking, marketing and social media, which will give us a depth of knowledge to continue to optimise the financial results as stated in the Treasurer's report and grow and strengthen our community engagement with Stonnington and surrounds.

I look forward to meeting shareholders at our Annual General Meeting on 26 October at the Melbourne Bowling Club.

Julie Scott
Secretary

Directors' report

For the financial year ended 30 June 2017

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

Directors

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

Leigh Powell

Position	Chairman since June 2016
Professional qualifications	Bachelor of Commerce
Experience and expertise	Leigh has worked in business and the mortgage and finance sectors for 42 years. He has extensive experience in strategy and product development, credit risk, operational risk, commercial contract negotiation, supplier management, dispute resolution, capital markets securitisation. Currently Leigh operates his own consultancy and advisory business leveraging previous experience gained in senior roles with National Australia Bank, Genworth Financial and PMI Mortgage Insurance.

Giovanni Caneva

Position	Company Seretary until June 2017, appointed as Treasurer in June 2017
Professional qualifications	Certificate IV Accounting, BAS Agent
Experience and expertise	Jon assists other businesses with business development, administration, bookkeeping and BAS preparation. He also owned and operated for 14 years the then Duke of Windsor Hotel (Lucky Coq) and was instrumental in getting the Windsor **Community Bank**® Branch and Windsor IGA up and running.

Julie Scott

Position	Appointed as Director in May 2017, appointed as Company Secretary in June 2017
Professional qualifications	Diploma of Catering Management, Certificate 2 Wine Appreciation - WSET
Experience and expertise	Julie is an experienced manager, who has developed her skills over the past thirty years in both Catering Management and Banking, including over ten years within the Bendigo Bank **Community Bank**® network. Her specifric areas of interest are volunteering within her community, and mentoring good people to be better.

Adam Ferfoglia

Position	Treasurer, resigned in November 2016
Professional qualifications	Bachelor of Computing (Hons)
Experience and expertise	Adam is a business consultant with extensive experience in the Banking, Architecture and Engineering industries, specialising in business transformation, strategy and operations.

Directors (continued)

Rajkumar Gopiraj

Position	Appointed as Director June 2015
Professional qualifications	Bachelor of Science in Materials and Mathematics, Bachelor of Engineering (Hons) in Materials Engineering, Masters of Commercial Law, Master of Business Administration & Masters of Marketing.
Experience and expertise	Rajkumar has been employed at a diverse range of organsiations, including AECOM Australia Pty Ltd, United Nations - UMOJA and the Australian Red Cross. During this time he has demonstrated strong project, operational, business, and general business management acumen. He has a proven record of developing strategic approaches and employing tactical methods to maximize productivity.

Fiona Triaca

Position	Appointed as Director June 2015, resigned August 2016
Professional qualifications	Bachelor of International Politics & Masters of Creative Media
Experience and expertise	Fiona worked in London for a number of years at organisations ranging from Fox Television Studios, ABN AMRO Rothschild, Royal Bank of Scotland and Jefferies International.

Deepesh Daya

Position	Appointed as Director October 2016, resigned April 2017
Professional qualifications	Lawyer
Experience and expertise	-

Nicholas Di Lodovico

Position	Appointed as Director October 2016, resigned March 2017
Professional qualifications	-
Experience and expertise	-

Sue Denmead

Position	Appointed as Director October 2016
Professional qualifications	Registered nurse, Registered midwife, Lactation consultant (IBCLC), Graduate Diploma of Child and Family Health, Graduate Diploma of Infant Mental Health.
Experience and expertise	Worked as a Maternal and Child Health nurse for Stonnington Council for 14 years. Currently working as an Enhanced MCHN, focusing on the socially disadvantaged and culturally challenged families within Stonnington.

Alice Boriboun

Position	Appointed as Director February 2017
Professional qualifications	Bachelor of Economics and Business
Experience and expertise	Alice is a Director and Owner of a company called Saguity, a player in the Customer Experience space. She specialises in Customer retention, business transformation and team culture/engagement.

Directors (continued)

Elizabeth Weston

Position	Appointed as Director May 2017
Professional qualifications	Master of Business Administration, Master of Laws, Bachelor of Arts (Hons)
Experience and expertise	Elizabeth is a financial services executive and dual-qualified Australian UK corporate lawyer, with more than 15 years' experience in investment management, superannuation, regulatory compliance, corporate governance and risk matters. Member of the Australian Institute of Company Directors.

Cathy Seaholme

Position	Appointed as Director June 2017
Professional qualifications	Studied at: QUT - 1984-1986 Bachelor Business (Accountancy, not completed), and 2016 CEDEP France - L'Oreal Transition to General Management Course
Experience and expertise	MAICD (Australian Institute of Company Directors) & WOB (Women on Boards). Experienced and well respected General Manager / COO / HRD with 20+ years in Australasian and International speciality retailing across cosmetics, fashion, and consultative service models, including direct sales and property; covering Retail, E-commerce, party plan, and franchising both locally and internationally.

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings		Audit Committee meetings	
Director	**A**	**B**	**A**	**B**
Leigh Powell	11	10	3	3
Giovanni Caneva	11	11	3	3
Julie Scott	2	2	-	-
Adam Ferfoglia	5	4	2	2
Rajkumar Gopiraj	11	9	-	-
Fiona Triaca	2	0	-	-
Deepesh Daya	7	4	-	-
Nicholas Di Lodovico	5	3	-	-
Sue Denmead	8	7	-	-
Alice Boriboun	6	5	-	-
Elizabeth Weston	2	2	-	-
Cathy Seaholme	1	1	-	-

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

Company Secretary

Giovanni Caneva was the Company Secretary of Stonnington Community Financial Services Limited between April 2014 and June 2017. Julie Scott was appointed the Company Secretary of Stonnington Community Financial Services Limited in June 2017.

Julie's qualifications include a Diploma of Catering Management and Certificate 2 in Wine Appreciation - WSET. Julie has over thirty years experience in both Catering Management and Banking, including over ten years within the Bendigo Bank **Community Bank®** network.

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 $147,313 (2016 profit : $58,710), which is a 251% increase as compared with the previous year. This is largely due to the $62,812 loss on disposal of fixed assets in 2016 when the Prahran Market branch was closed, as well as no longer operating the Prahran Market Branch which operated at at loss.

Dividends

The Board resolved at its June 2016 meeting to pay a 2 cent dividend on 30 September 2016. The $13,000 dividend was recognised in the financial statements as being payable at 30 June 2016, but paid on 3 October 2016. The Board resolved at ots June 2017 meeting to pay a 4 cent dividend in September 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.

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

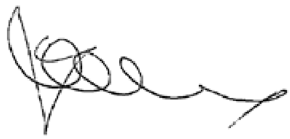
A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 11 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Non-audit services

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

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

Signed in accordance with a resolution of the Board of Directors at Windsor on 4 September 2017.



Leigh Powell
Director

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 Stonnington 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.

Kathie Teasdale
Partner
Richmond Sinnott & Delahunty
Dated: 8 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	945,643	984,431
Expenses			
Employee benefits expense	3	(344,671)	(396,966)
Depreciation and amortisation	3	(24,786)	(25,659)
Finance costs	3	(213)	(4,138)
Bad and doubtful debts expense	3	(506)	(4,715)
Administration and general costs		(53,672)	(51,510)
Occupancy expenses		(110,597)	(146,434)
IT expenses		(44,684)	(58,682)
Loss on disposal of non-current assets		(21)	(62,812)
ATM expenses		(31,485)	(45,196)
Repairs & maintenance		(4,568)	(16,873)
Other expenses		(62,438)	(75,822)
		(677,641)	**(888,807)**
Operating profit before charitable donations and sponsorships		**268,002**	**95,624**
Charitable donations and sponsorships		(64,811)	(8,708)
Profit before income tax		**203,191**	**86,916**
Income tax expense	4	(55,878)	(28,206)
Profit for the year		**147,313**	**58,710**
Other comprehensive income		-	-
Total comprehensive income for the year		**147,313**	**58,710**
Profit attributable to members of the company		147,313	58,710
Total comprehensive income attributable to members of the company		**147,313**	**58,710**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	16	22.77	9.07

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	206,952	210,639
Trade and other receivables	6	63,265	62,775
Financial assets	7	200,000	-
Total current assets		**470,217**	**273,414**
Non-current assets			
Plant and equipment	8	75,595	61,866
Intangible assets	9	4,473	16,010
Deferred tax assets	4	3,343	23,445
Total non-current assets		**83,411**	**101,321**
Total assets		**553,628**	**374,735**
Liabilities			
Current liabilities			
Trade and other payables	10	47,537	42,847
Current tax liability	4	34,035	-
Borrowings	11	5,987	-
Provisions	12	12,156	17,430
Total current liabilities		**99,715**	**60,277**
Non-current liabilities			
Borrowings	11	18,142	-
Total non-current liabilities		**18,142**	**-**
Total liabilities		**117,857**	**60,277**
Net assets		**435,771**	**314,458**
Equity			
Issued capital	13	647,010	647,010
Accumulated losses	14	(211,239)	(332,552)
Total equity		**435,771**	**314,458**

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 $	Accumulated losses $	Total equity $
Balance at 1 July 2015		647,010	(378,262)	268,748
Profit for the year		-	58,710	58,710
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**58,710**	**58,710**
Transactions with owners, in their capacity as owners				
Dividends provided	15	-	(13,000)	(13,000)
Balance at 30 June 2016		**647,010**	**(332,552)**	**314,458**
Balance at 1 July 2016		647,010	(332,552)	314,458
Profit for the year		-	147,313	147,313
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**147,313**	**147,313**
Transactions with owners, in their capacity as owners				
Dividends provided	15	-	(26,000)	(26,000)
balance at 30 june 2017		**647,010**	**(211,239)**	**435,771**

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		1,037,000	973,976
Payments to suppliers and employees		(823,804)	(804,398)
Interest paid		(213)	(4,138)
Interest received		941	888
Income tax paid		(1,740)	-
Net cash provided by operating activities	**17b**	**212,184**	**166,328**
Cash flows from investing activities			
Proceeds from sale of plant and equipment		-	15,125
Purchase of plant and equipment		(26,999)	-
Purchase of investments		(200,000)	-
Net cash flows from / (used in) investing activities		**(226,999)**	**15,125**
Cash flows from financing activities			
Proceeds from leases		25,900	-
Repayment of borrowings		-	(70,000)
Repayment of leases		(1,772)	
Dividends paid		(13,000)	-
Net cash provided by / (used in) financing activities		**11,128**	**(70,000)**
Net increase / (decrease) in cash held		**(3,687)**	**111,453**
Cash and cash equivalents at beginning of financial year		210,639	99,186
Cash and cash equivalents at end of financial year	**17a**	**206,952**	**210,639**

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 Stonnington Community Financial Services Limited.

Stonnington 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 22 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 Windsor.

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;
- 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:

Estimation of useful lives of assets

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

Employee benefits provision

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

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Note 1. Summary of significant accounting policies (continued)

(f) Critical accounting estimates and judgements (continued)

Impairment

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

(g) New accounting standards for application in future periods

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

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

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

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

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

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

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

   (ii) the characteristics of the contractual cash flows.

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

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

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

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

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

AASB 16:

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

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

Note 2. Revenue

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

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

Rendering of services

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

Interest and other income

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

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

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

	2017 **$**	**2016** **$**
Revenue		
- service commissions	941,898	934,826
	941,898	**934,826**
Other revenue		
- interest received	3,745	888
- other revenue	-	48,717
	3,745	**49,605**
Total revenue	**945,643**	**984,431**

Note 3. Expenses

Operating expenses

Operating expenses are recognised in profit or loss on an accurals 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, including capitalised leased assets, is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of asset	**Rate**	**Method**
Leasehold improvements	10 - 20%	SL
Plant and equipment	7.5 - 33.3%	SL
Motor vehicles	25%	DV

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	280,551	333,103
- superannuation costs	26,568	29,306
- other costs	37,552	34,557
	344,671	**396,966**
Depreciation and amortisation		
Depreciation		
- plant and equipment	5,630	7,806
- leasehold improvements	6,251	6,273
- motor vehicles	1,368	-
	13,249	**14,079**
Amortisation		
- franchise fees	11,537	11,580
Total depreciation and amortisation	**24,786**	**25,659**
Finance costs		
- Interest paid	213	4,138
Bad and doubtful debts expenses	506	4,715
Loss on disposal of property, plant and equipment	21	62,812
Auditors' remuneration		
Remuneration of the Auditor, Richmond, Sinnott & Delahunty, for:		
- Audit or review of the financial report	4,800	4,750
- Share registry services	3,358	1,600
	8,158	**6,350**

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/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

	2017 $	2016 $
a. The components of tax expense comprise:		
Current tax expense	54,427	22,574
Deferred tax expense relating	20,103	28,206
Recoupment of prior year tax losses	(18,652)	(22,574)
	55,878	**28,206**
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%)	55,878	24,771
Add tax effect of:		
- Change in company tax rates	-	3,435
Income tax attributable to the entity	**55,878**	**28,206**
The applicable weighted average effective tax rate is	27.50%	32.45%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	-	-
Income tax paid	(1,740)	-
Current tax	54,427	22,574
Recoupment of PY Losses	(18,652)	(22,574)
	34,035	**-**

	2017 $	2016 $

Note 4. Income tax (continued)

d. Deferred tax asset

Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Employee provisions	3,343	4,793
Unused tax losses	-	18,652
Net deferred tax asset	**3,343**	**23,445**
e. Deferred income tax expense included in income tax expense comprises:		
Decrease in deferred tax assets	20,103	28,206
	20,103	**28,206**

Note 5. Cash and cash equivalents

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

	2017 $	2016 $
Cash at bank and on hand	**206,952**	**210,639**

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 recognised on profit or loss.

Current

Trade receivables	**63,265**	**62,775**

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.

Note 6. Trade and other receivables (continued)

Credit risk (continued)

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

	Gross amount $	Not past due $	Past due but not impaired			Past due and impaired $
			< 30 days $	31-60 days $	> 60 days $	
2017						
Trade receivables	63,265	63,265	-	-	-	-
Total	**63,265**	**63,265**	**-**	**-**	**-**	**-**
2016						
Trade receivables	62,775	62,775	-	-	-	-
Total	**62,775**	**62,775**	**-**	**-**	**-**	**-**

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.

Loans and receivables

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

Held to maturity investments

The 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.

Measurement of financial assets

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

Note 7. Financial assets (continued)

Measurement of financial assets (continued)

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.

<u>Assets carried at amortised cost</u>

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.

	2017 $	2016 $
Held to maturity financial assets		
Term deposits	200,000	-
	200,000	**-**

Note 8. Plant and equipment

Property

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

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

Plant and equipment

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

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	348,103	348,103
Less accumulated depreciation	(326,815)	(320,563)
	21,288	**27,540**
Plant and equipment		
At cost	99,950	107,147
Less accumulated depreciation	(67,776)	(72,821)
	32,174	**34,326**

	2017 $	2016 $
Note 8. Plant and equipment (continued)		
Motor vehicles		
At cost	23,501	-
Less accumulated depreciation	(1,368)	-
	22,133	**-**
Total plant and equipment	**75,595**	**61,866**
Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the reporting period	27,539	64,359
Disposals	-	(30,547)
Depreciation expense	(6,251)	(6,273)
Balance at the end of the reporting period	**21,288**	**27,539**
Plant and equipment		
Balance at the beginning of the reporting period	34,327	74,397
Additions	3,498	-
Disposals	(21)	(32,264)
Depreciation expense	(5,630)	(7,806)
Balance at the end of the reporting period	**32,174**	**34,327**
Motor vehicles		
Additions	23,501	-
Depreciation expense	(1,368)	-
Balance at the end of the reporting period	**22,133**	**-**
Total plant and equipment		
Balance at the beginning of the reporting period	61,866	138,756
Additions	26,999	-
Disposals	(21)	(62,811)
Depreciation expense	(13,249)	(14,079)
Balance at the end of the reporting period	**75,595**	**61,866**

Note 9. Intangible assets

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

	2017 $	2016 $
Note 9. Intangible assets (continued)		
Franchise fee		
At cost	111,537	111,537
Less accumulated amortisation	(110,642)	(108,335)
	895	**3,202**
Renewal franchise fee		
At cost	46,149	46,149
Less accumulated amortisation	(42,571)	(33,341)
	3,578	**12,808**
Leasehold establishment fee		
At cost	25,000	25,000
Less accumulated amortisation	(25,000)	(25,000)
	-	**-**
Total intangible assets	**4,473**	**16,010**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	3,202	5,509
Amortisation expense	(2,307)	(2,307)
Balance at the end of the reporting period	**895**	**3,202**
2Renewal franchise fee		
Balance at the beginning of the reporting period	12,808	22,038
Amortisation expense	(9,230)	(9,230)
Balance at the end of the reporting period	**3,578**	**12,808**
Leasehold establishment fee		
Balance at the beginning of the reporting period	-	43
Amortisation expense	-	(43)
Balance at the end of the reporting period	**-**	**-**
Total intangible assets		
Balance at the beginning of the reporting period	16,010	27,590
Amortisation expense	(11,537)	(11,580)
Balance at the end of the reporting period	**4,473**	**16,010**

Note 10. Trade and other payables

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

	2017 $	2016 $
Current		
Unsecured liabilities:		
Trade creditors	7,055	1,358
Dividend Payable	27,638	13,000
Other creditors and accruals	12,844	28,489
	47,537	**42,847**

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

Note 11. Borrowings

Finance Leases

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

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

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

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

	2017 $	2016 $
Current		
Secured liabilities		
Finance leases	5,987	-
	5,987	**-**
Non-current		
Secured liabilities		
Finance leases	18,142	-
	18,142	**-**
Total borrowings	**24,129**	**-**

Note 11. Borrowings (continued)

(a) Lease liabilities

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

Note 12. Provisions

Short-term employee benefits

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

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

Other long-term employee benefits

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

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	12,156	17,430
Total provisions	**12,156**	**17,430**

Note 13. 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 $
620,100 Ordinary shares fully paid	620,100	620,100
29,900 Ordinary shares fully paid	26,910	26,910
	647,010	**647,010**

	2017 $	2016 $

Note 13. Share capital (continued)

Movements in share capital

Fully paid ordinary shares:		
At the beginning of the reporting period	647,010	647,010
Shares issued during the year	-	-
At the end of the reporting period	**647,010**	**647,010**

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

Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

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

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

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

	2017 $	2016 $

Note 14. Accumulated losses

Balance at the beginning of the reporting period	(332,552)	(378,262)
Profit after income tax	147,313	58,710
Dividends paid and provided for	(26,000)	(13,000)
Balance at the end of the reporting period	**(211,239)**	**(332,552)**

	2017 $	2016 $

Note 15. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year

A final dividend of 2 cents per shares was declared before 30 June 2016 and paid in October 2016. A final dividend of 4 cents per shares was declared before 30 June 2017 and is expected to be paid in September 2017.	26,000	13,000

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

Note 16. Earnings per share

Basic earnings per share

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

	2017 $	2016 $
Basic earnings per share (cents)	22.77	9.07
Earnings used in calculating basic earnings per share	147,313	58,710
Weighted average number of ordinary shares used in calculating basic earnings per share.	647,010	647,010

Note 17. 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 6)	206,952	210,639
As per the Statement of Cash Flow	**206,952**	**210,639**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit after income tax	147,313	58,710
Non-cash flows in profit		
- Depreciation	13,249	14,079
- Amortisation	11,537	11,580
- Bad debts	506	4,715
- Net loss on disposal of property, plant & equipment	**21**	**62,812**

	2017 $	2016 $
Note 17. Statement of cash flows (continued)		
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(996)	(14,281)
- (Increase) / decrease in deferred tax asset	20,103	28,328
- Increase / (decrease) in trade and other payables	(8,310)	8,091
- Increase / (decrease) in current tax liability	34,035	-
- Increase / (decrease) in provisions	(5,274)	(7,706)
Net cash flows from operating activities	**212,184**	**166,328**

(c) Credit standby arrangement and loan facilities

The company has available a loan facility amounting of $70,000. The balance at was $0 at 30 June 2017 (2016: $0).

Note 18. Key management personnel and related party disclosures

(a) Key management personnel

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

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

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

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

Name of related party	Description of goods/services	Value $
Caneva Management Pty Ltd, a company of which Giovanni Caneva is a Director.	Bookkeeping & Marketing	12,000

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

(d) Key management personnel shareholdings

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

	2017	2016
Giovanni Caneva	40,000	40,000
	40,000	**40,000**

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

(e) Other key management transactions

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

Note 19. Events after the reporting period

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

Note 20. Contingent liabilities and contingent assets

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

Note 21. Operating segments

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

Note 22. Commitments

Operating lease commitments

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

	2017 $	2016 $
Payable:		
- no later than 12 months	104,448	102,400
- between 12 months and five years	512,000	102,400
Minimum lease payments	**616,448**	**204,800**

The property lease is a non-cancellable lease that finishes 1st Decemeber 2017, with a further 5 year option available. Rent is paid a month in advance, with a fixed 4% increase per annum (to be reviewed at the end of the term).

	2017 $	2016 $

Note 22. Commitments (continued)

Finance lease commitments

Finance lease liabilities are payable exclusive of GST as follows:

	2017 $	2016 $
Payable:		
- no later than 12 months	7,089	-
- between 12 months and five years	19,496	-
Minimum lease payments	26,585	-
Less future interest charges	(2,456)	-
Finance lease liability	24,129	-

During April 2017 a motor vehicle was purchased using an equipment loan. This loan is to be repaid over 48 months with no balloon payment.

Note 23. Company details

The registered office and principle place of business is 111 Chapel Street, Windsor VIC 3181.

Note 24. Dividends paid or provided for during the year

The Board resolved at its June 2016 meeting to pay a 2 cent dividend on 30th September 2016. The $13,000 dividend was recognised in the financial statements as being payable at 30 June 2016. The Board resolved at its June 2017 meeting to pay a 4 cent dividend in September 2017. The $26,000 dividend was recognised in the financial statements as being payable at 30 June 2017.

Note 25. Financial risk management

Financial risk management policies

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

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.

Note 25. Financial risk management (continued)

Specific financial risk exposure and management (continued)

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	206,952	210,639
Trade and other receivables	6	63,265	62,775
Financial assets	7	200,000	-
Total financial assets		**470,217**	**273,414**
Financial liabilities			
Trade and other payables	10	47,537	42,847
Borrowings	11	24,129	-
Total financial liabilities		**71,666**	**42,847**

(a) Credit risk

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

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

Credit risk exposures

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

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

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

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

(b) Liquidity risk

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

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.

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

Financial liability and financial asset maturity analysis:

30 June 2017	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1%	206,952	206,952	-	-
Trade and other receivables	0%	63,265	63,265	-	-
Financial assets	2%	200,000	200,000	-	-
Total anticipated inflows		**470,217**	**470,217**	**-**	**-**
Financial liabilities					
Trade and other payables	0%	47,537	47,537	-	-
Borrowings	6%	24,129	5,987	18,142	-
Total expected outflows		**71,666**	**53,524**	**18,142**	**-**
Net inflow / (outflow) on financial instruments		**398,551**	**416,693**	**(18,142)**	**-**

30 June 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1%	210,639	210,639	-	-
Trade and other receivables	0%	62,775	62,775	-	-
Financial assets	0%	-	-	-	-
Total anticipated inflows		**273,414**	**273,414**	**-**	**-**
Financial liabilities					
Trade and other payables	0%	42,847	42,847	-	-
Total expected outflows		**42,847**	**42,847**	**-**	**-**
Net inflow / (outflow) on financial instruments		**230,567**	**230,567**	**-**	**-**

Weighted average interest rate

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 are borrowings, and cash & 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)	4,070	4,070
+/- 1% in interest rates (interest expense)	(241)	(241)
	3,828	**3,828**
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	2,108	2,108
+/- 1% in interest rates (interest expense)	-	-
	2,108	**2,108**

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.

Directors' declaration

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

1. The financial statements and notes, as set out on pages 12 to 38 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.

Leigh Powell
Director

Signed at Windsor on 4 September 2017.

Independent audit report

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

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Stonnington 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 Stonnington 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. 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.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 8th September 2017

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