

FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

ABN 41 114 925 174

Financial report for the year ended 30 June 2017

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FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

ABN 41 114 925 174

Financial report for the year ended 30 June 2017

DIRECTORS' REPORT

Your Directors present their report, together with the financial statements of the Company for the financial year ended 30 June 2017.

Directors

The names of Directors in office at any time during or since the end of the year are:

Arnold Bartholomew Houwen

Position:	Non-Executive Director
Occupation:	Business Development Consultant
Qualifications:	
Background Information:	After a 25 year career in IT which included stints overseas, Bart now works from a home office and is an active community representative of the Cockburn Sound Management Council, and an elected Member of Cockburn City Council. Recreational pursuits include golf, and sailing.
Directorships held in other entities:	Nil
Interest in shares and options:	500 Shares

Debra Anne Rule

Position:	Non-Executive Director / Chairperson
Occupation:	Knowledge and Information Specialist
Qualifications:	MSc, BEd, GradDipSc, DipTeach, GradDipACG, GIA(Cert), GAICD
Background Information:	Debra grew up and lives in Fremantle; she has a background in education, strategic planning and information services. She has held senior roles in both the public and private sectors, is a Director of Wheatbelt NRM, a Chartered Secretary and the former Chair of two not for profit organisations. In her spare time, she enjoys planting trees at a small rural property outside of Brookton.
Directorships held in other entities:	Nil
Interest in shares and options:	10,500 Shares (direct) 500 Shares (indirect)

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Bruce James Moriarty

Position:	Non-Executive Director
Occupation:	Property Developer
Qualifications:	R/E Licensee, Grad Cert (Business)
Background Information:	Bruce grew up in Halifax, Nova Scotia a small and well preserved historic city and Canada's major Atlantic port. He arrived in Western Australia in 1982 and after five years in the North-West oil sector, entered the property industry in 1987. Bruce has been involved with a number of development projects including heritage buildings including the North Fremantle's Rose Hotel and Old School Mews. He also serves on the board of the Fremantle Chamber of Commerce and is one of the founders of Fremantle's Gimme Shelter homeless fundraiser.
Directorships held in other entities:	Nil
Interest in shares and options:	Nil

John Alexander Bird

Position:	Non-Executive Director / Treasurer
Occupation:	Self Employed
Qualifications:	BSc, FCA, GAICD, Grad Cert (Business)
Background Information:	John has a background in business and as a Chartered Accountant, and brings wide experience in corporate governance and financial management to the board of Fremantle Community Bank. John is a graduate of the Australian Institute of Company Directors and Fellow of the Institute of Chartered Accountants in Australia and New Zealand, and is on the board of 3D Art for Fremantle Inc. He is a passionate and active proponent of the culture, history, social development and prosperity of Fremantle and is keen for the Fremantle Community Bank to play a key part in these.
Directorships held in other entities:	Nil
Interest in shares and options	1,930 shares

Dearne Mary Russell

Position:	Non-Executive Director / Company Secretary
Occupation:	Corporate Strategist
Qualifications:	MBA, BCom
Background Information:	Dearne is an experienced Accounting professional who for the past decade has held leadership positions providing critical support services to line management within the resources sector. She holds directorships in the banking industry and the community sector. Dearne's broad experience encompasses accounting & finance, audit, supply of goods & services, environment, occupational health & safety and contractor management. She has well rounded strategic skills in governance, compliance, risk management and business planning.
Directorships held in other entities:	Nil
Interest in shares and options	Nil

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Donna Quinn

Position:	Non-Executive Director
Occupation:	Managing Director
Qualifications:	Bachelor of Applied Science
Background Information:	<p>Donna is Managing Director of Quinn Consulting, a hospitality consulting business specialising in financial management and business development within the hospitality sector.</p> <p>Her background includes both interstate and local leadership positions in large corporate hotel operations and more recently ownership and management of varied hospitality businesses.</p> <p>Donna's experience encompasses business planning, marketing development and human resource management and she is an active participant in her young children's schools and local sporting clubs.</p>
Directorships held in other entities:	Nil
Interest in shares and options	Nil

Janusz Olbromski (Appointed 2 November 2016)

Position:	Non-Executive Director
Occupation:	State Manager
Qualifications:	MBA, BEng, Dip OH&S
Background Information:	<p>Janusz came to Australia in 1990, and from there grew up in and around Fremantle, where he currently lives. Janusz has held leadership positions in the construction and engineering industries for the past 15 years, both in Australia and in the UK. Ranging from engineering consultancy, to the construction of hospitals, hotels, shopping centres and apartments. Currently, Janusz manages the state manufacturing operations of an ASX listed national building products provider.</p>
Directorships held in other entities:	Nil
Interest in shares and options:	Nil

Sam Wilkinson (Appointed 2 November 2016)

Position:	Non-Executive Director
Occupation:	Climate Change Advisor and PhD Candidate
Qualifications:	BSc Hons
Background Information:	<p>Sam has nearly 20 years' experience as a project manager in environmental strategy, policy and compliance, including at senior levels of industry and government. Sam has been an active member of the Fremantle community for the past 25 years and has a passion for sustainability. Sam is currently undertaking his Doctorate, investigating transitional issues associated with Western Australia's adoption of renewable energy.</p>
Directorships held in other entities:	Nil
Interest in shares and options:	Nil

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Sandra Le Lam (Appointed 28 June 2017)

Position:	Non-Executive Director
Occupation:	Psychologist
Qualifications:	BPsych, MPsych, MBA, MAPS
Background Information:	Sandra Lam is a Registered Psychologist. Sandra has experience spanning both the public and private sector agencies in Australia and abroad. With more than twenty years in corporate industry and with a passion for improving the mental resilience of individuals, teams and organisations, Sandra is currently a Director and Principal Psychologist for PerMentis, a social change organisation, and FIFO Focus, an entity that empower individuals to become mentally resilient and support organisations to handle the complexities of psychological health.
Directorships held in other entities:	Nil
Interest in shares and options:	Nil

Company Secretary

D M Russell

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Directors meetings attended

During the financial year, 18 meetings of directors (including committees of directors) were held. Attendances by each Director during the year were as follows:

Names of Directors	Directors' Meetings		Human Resource Committee		Audit & Risk Committee		Marketing and Sponsorship	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Arnold Houwen	11	7	2	1	-	-	-	-
Debra Rule	11	11	2	2	-	-	2	1
Bruce Moriarty	11	11	-	-	-	-	4	4
John Bird	11	10	-	-	1	1	-	-
Dearne Russell	11	10	-	-	1	0	-	-
Donna Quinn	11	9	2	2	-	-	4	4
Janusz Olbromski	7	7	-	-	1	1	-	-
Sam Wilkinson	7	7	-	-	-	-	2	2
Sandra Lam	1	1	-	-	-	-	-	-

Principal activity and review of operations

The principal activity and focus of the Company's operations during the year was the operation of a Branch of Bendigo Bank, pursuant to a franchise agreement.

Operating results

The profit of the Company after providing for income tax amounted to \$87,585 (2016: \$154,954).

Dividends paid or recommended

The Company declared dividends of \$36,838 during the year (2016: \$36,838).

Financial position

The net assets of the Company have increased from \$523,665 as at 30 June 2016 to \$574,412 as at 30 June 2017.

The directors believe the Company is in a stable financial position.

Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year under review, not otherwise disclosed in these financial statements.

After balance date events

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

Future developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

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Options

No options over issued shares or interests in the Company were granted to Directors or Executives during or since the end of the financial year and there were no options outstanding at the date of this report.

The Directors and Executive do not own any options over issued shares or interests in the Company at the date of this report.

Indemnifying officers or auditor

Indemnities have been given, during and since the end of the financial year, for any persons who are or have been a Director or an officer, but not an auditor, of the Company. The insurance contract prohibits disclosure of any details of the cover.

Environmental issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, State or Territory.

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.

Corporate governance

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

- a) Director approval of operating budgets and monitoring of progress against these budgets;
- b) Ongoing Director training; and
- c) Monthly Director meetings to discuss performance and strategic plans

The normal functions and responsibilities of an audit committee have been assumed by the Audit & Risk Committee.

Non-audit services

The Board is 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 below did not compromise the external auditor's independence for the following reasons:

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

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2017:

Taxation services: \$7,100 (2016: \$6,900)

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REMUNERATION REPORT

This report details the nature and amount of remuneration for each key management person of the Company, and for the Executives receiving the highest remuneration.

Remuneration of Directors

No income was paid or was payable or otherwise made available, to the Directors of the Company during the years ended 30 June 2016 and 30 June 2017.

Remuneration policy

The remuneration policy of the Company has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The Board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company, as well as create goal congruence between Directors, Executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Company is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), and superannuation.
- The Board reviews key management personnel packages annually by reference to the Company's performance, Executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed annually with each Executive and is based predominantly on the forecast growth of the Company's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives and bonuses, which must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits. Some individuals may have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed.

Performance-based remuneration

As part of each key management personnel's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between key management personnel with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the areas each key management personnel is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Company expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Company's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, the Company bases the assessment on audited figures.

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Company performance, shareholder wealth and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and Executives. The method applied in achieving this aim is a performance based bonus based on KPIs. The Company believes this policy to have been effective in increasing shareholder wealth over the past years.

Key management personnel remuneration policy

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement, key management personnel are paid employee benefit entitlements accrued to date of retirement.

The employment conditions of the key management personnel are formalised in contracts of employment. All Executives are permanent employees of the Company.

The employment contracts stipulate a resignation period. The Company may terminate an employment contract without cause by providing appropriate written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Performance income as a proportion of total remuneration

Executives are paid performance based bonuses based on set monetary figures, rather than proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. The Board has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the Company.

The Board will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit to ensure use of the most cost effective and efficient methods.

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* for the year ended 30 June 2017 is included within the financial statements.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.



Director

John Bird



Debra Rule

Dated this Ninth day of September 2017

RSM Australia Partners

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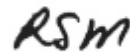
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AUDITOR'S INDEPENDENCE DECLARATION

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

- (i) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) Any applicable code of professional conduct in relation to the audit.



RSM AUSTRALIA PARTNERS



DAVID WALL
Partner

Perth, WA
Dated: 9 September 2017

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RSM Australia Partners ABN 36 965 185 036

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**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017**

		2017	2016
	Note	\$	\$
Revenue	2	948,399	979,972
Employee benefits expense		(368,801)	(368,090)
Depreciation and amortisation expense		(26,110)	(20,000)
Other expenses	3	(447,644)	(436,928)
		<hr/>	<hr/>
Profit before income tax		105,844	154,954
Income tax expense	4	(18,259)	-
		<hr/>	<hr/>
Profit for the year		87,585	154,954
		<hr/>	<hr/>
Other comprehensive income		-	-
		<hr/>	<hr/>
Total comprehensive income for the year attributable to members		87,585	154,954
		<hr/>	<hr/>
Earnings per share			
Basic earnings per share (cents per share)		11.89	21.03
Diluted earnings per share (cents per share)		11.89	21.03

The accompanying notes form part of these financial statements

FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

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**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

		2017	2016
	Note	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	6	440,995	388,180
Trade and other receivables	7	83,858	87,580
Other assets	8	17,942	23,425
TOTAL CURRENT ASSETS		542,795	499,185
NON-CURRENT ASSETS			
Other assets	8	32,732	32,732
Plant and equipment	9	50,235	14,516
Intangible assets	10	50,177	63,732
Deferred tax assets	22	1,061	-
TOTAL NON-CURRENT ASSETS		134,205	110,980
TOTAL ASSETS		677,000	610,165
CURRENT LIABILITIES			
Trade and other payables	11	72,184	71,984
Short-term provisions	12	11,084	14,516
Current tax liability	22	19,320	-
TOTAL CURRENT LIABILITIES		102,588	86,500
TOTAL LIABILITIES		102,588	86,500
NET ASSETS		574,412	523,665
EQUITY			
Issued capital	13	736,759	736,759
Accumulated (losses)		(162,347)	(213,094)
TOTAL EQUITY		574,412	523,665

The accompanying notes form part of these financial statements

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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017**

	Issued Capital	Accumulated Losses	Total
	\$	\$	\$
Balance at 1 July 2015	736,759	(331,210)	405,549
Dividends declared during the year	-	(36,838)	(36,838)
Total comprehensive income for the year attributable to members	-	154,954	154,954
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2016	736,759	(213,094)	523,665
	<hr/>	<hr/>	<hr/>
 Balance at 1 July 2016	 736,759	 (213,094)	 523,665
Dividends declared during the year	-	(36,838)	(36,838)
Total comprehensive income for the year attributable to members	-	87,585	87,585
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2017	736,759	(162,347)	574,412
	<hr/>	<hr/>	<hr/>

The accompanying notes form part of these financial statements

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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017	2016
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		945,419	974,243
Payments to suppliers and employees		(819,186)	(848,958)
Interest Revenue		6,703	5,737
Net cash provided by operating activities	14	<u>132,936</u>	<u>131,022</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant, equipment and intangibles		<u>(37,804)</u>	<u>(67,781)</u>
Net cash used in investing activities		<u>(37,804)</u>	<u>(67,781)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend Paid		<u>(42,317)</u>	<u>(27,490)</u>
Net cash used in financing activities		<u>(42,317)</u>	<u>(27,490)</u>
Net increase in cash held		52,815	35,751
Cash and cash equivalents at beginning of financial year		<u>388,180</u>	<u>352,429</u>
Cash and cash equivalents at end of financial year	6	<u>440,995</u>	<u>388,180</u>

The accompanying notes form part of these financial statements

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2017

1. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the Company as an individual entity. The Company is a public Company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board (AASB) has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements were authorized for issue on 9th September 2017 by the Directors of the Company.

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

New, revised or amending Accounting Standards and Interpretations adopted

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The Company's assessment of the new and amended pronouncements that are relevant to the Company but applicable in future periods is set out below:

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest.

All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Company has made an

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assessment and determined that this standard will have little to no impact on the entity as it does not have any financial instruments.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. 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 entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Company has made an assessment and determined that this standard will not have significant impact on the financial performance or position of the Company.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Company is progressing with the assessment to determine the impact of this standard on the financial performance and position of the Company. The operating leases will be capitalised and corresponding lease liabilities and right to use assets will be recorded on the statement of financial position.

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(a) Income tax

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

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore 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.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred 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, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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.

Current tax assets and liabilities are offset where a legally enforceable right of set off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(b) Plant and equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis.

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The carrying amount of plant and equipment 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 assets 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 asset's 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 charged to the statement of comprehensive income during the financial year in which they are incurred.

Depreciation

The depreciable amount of all plant and equipment is depreciated on a straight line basis over their useful lives to the entity commencing from the time the asset is held ready for use.

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

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and equipment	20% - 37.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive Income.

(c) Leases

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

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

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

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

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

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(d) Financial instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value 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.

Classification and Subsequent Measurement

i Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii Loans and receivables

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

iii Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v Financial Liabilities

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

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Financial report for the year ended 30 June 2017

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the Statement of Comprehensive Income unless they are designated as hedges.

The Company does not hold any derivative instruments.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Financial Guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the Company gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The Company has not issued any financial guarantees.

(e) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(f) Intangibles

Franchise fee

The franchise fee paid by the Company pursuant to a Franchise Agreement with Bendigo and Adelaide Bank Limited is being amortised over the initial five (5) years period of the agreement, being the period of expected economic benefits of the franchise fee.

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(g) Employee benefits

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

(h) Provisions

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

(i) Cash and cash equivalents

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

(j) Revenue and other income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(l) 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. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(m) Comparative figures

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

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2017

(n) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report 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.

Key estimates — Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of intangibles for the year ended 30 June 2017. Should the projected turnover figures be materially outside of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of intangibles at 30 June 2017 amounting to \$50,235.

(o) New Accounting Standards for Application in Future Periods

A number of Australian Accounting Standards and Interpretations that have been issued or amended but are not yet mandatory have not been early adopted by the Company for the annual reporting period ended 30 June 2017.

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2017

	2017	2016
	\$	\$
2. Revenue		
Franchise margin income	925,704	959,121
Interest Income	7,084	5,350
Rental Income	15,611	15,501
	<hr/>	<hr/>
	948,399	979,972
	<hr/>	<hr/>
3. Other expenses		
Advertising and marketing	6,531	2,269
ASIC and NSX costs	8,609	8,246
ATM leasing and running costs	11,378	7,019
Bad debts (recovery)/charge	(233)	433
Community sponsorship and donations	99,918	93,705
Freight and postage	14,518	16,460
Insurance	17,568	17,321
IT leasing and running costs	21,500	22,180
Occupancy running costs	61,572	61,170
Printing and stationery	16,821	2,113
Rental on operating lease	122,217	149,569
Telephone	13,196	11,160
Other operating expenses	54,049	45,283
	<hr/>	<hr/>
	447,644	436,928
	<hr/>	<hr/>
Remuneration of the auditors of the Company		
Audit services	11,700	11,341
Other Services	7,100	6,900
	<hr/>	<hr/>
	18,800	18,241
	<hr/>	<hr/>

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2017

	2017	2016
	\$	\$
4. Income tax expense		
a. The components of tax expense comprise:		
Current tax	19,320	-
Deferred tax (note 22)	(1,061)	-
	<u>18,259</u>	<u>-</u>
b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit before income tax at 27.5% (2016: 28.5%)	29,435	44,162
Less:		
Tax effect of:		
— Recoupment of prior year tax losses not previously brought to account	(7,832)	(44,162)
— Change in tax rate	(429)	-
— Other allowable items	(2,915)	-
	<u>18,259</u>	<u>-</u>
Income tax attributable to the Company	<u>18,259</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2017

5. Key management personnel compensation

a. Names and positions

<i>Name</i>	<i>Position</i>
Arnold Bartholomew Houwen	Non-Executive Director
Debra Anne Rule	Non-Executive Director / Chairperson
Bruce James Moriarty	Non-Executive Director
John Alexander Bird	Non-Executive Director / Treasurer
Dearne Mary Russell	Non-Executive Director / Company Secretary
Donna Quinn	Non-Executive Director
Sam Wilkinson	Non-Executive Director
Janusz Olbromski	Non-Executive Director
Sandra Le Lam	Non-Executive Director

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

b. Remuneration of Key Management Positions

No Director of the Company receives remuneration for services as a Company Director.

c. Shareholdings

Number of ordinary shares held by key management personnel.

2017	Ordinary Shares			
<i>Directors</i>	<i>Balance at beginning of period</i>	<i>Purchased during the period</i>	<i>Other changes</i>	<i>Balance at end of period</i>
Arnold Houwen	500	-	-	500
Debra Rule	10,500	-	-	10,500
Debra Rule - Indirectly	500	-	-	500
John Alexander Bird	1,930	-	-	1,930
	13,430	-	-	13,430

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Financial report for the year ended 30 June 2017

	2017 \$	2016 \$
6. Cash and cash equivalents		
Cash at bank and in hand	<u>440,995</u>	<u>388,180</u>
<i>Reconciliation of cash</i>		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	<u>440,495</u>	<u>388,180</u>
7. Trade and other receivables		
Trade debtors	82,774	86,877
Accrued Interest	<u>1,084</u>	<u>703</u>
	<u>83,858</u>	<u>87,580</u>
a. Provision For Impairment of Receivables		
<p>Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts will be included in the other expenses item of the statement of comprehensive income.</p> <p>There is no provision for impairment of receivables.</p>		
8. Other assets		
Current		
Prepayments	8,023	13,506
Other	<u>9,919</u>	<u>9,919</u>
	<u>17,942</u>	<u>23,425</u>
Non-current		
Bond	<u>32,732</u>	<u>32,732</u>
	<u>50,674</u>	<u>56,157</u>

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	2017	2016
	\$	\$
9. Plant and equipment		
Plant and equipment		
Cost	351,586	303,312
Accumulated depreciation	(301,351)	(288,796)
	<u>50,235</u>	<u>14,516</u>
<i>Movement in carrying amount</i>		
Balance at the beginning of the year	14,516	20,632
Additions	48,274	-
Depreciation expense	(12,555)	(6,116)
	<u>50,235</u>	<u>14,516</u>
Carrying amount at the end of the year	<u>50,235</u>	<u>14,516</u>
10. Intangible assets		
Franchise fee		
Cost	67,781	67,781
Accumulated amortisation	(17,604)	(4,049)
	<u>50,177</u>	<u>63,732</u>
Pursuant to a five year franchise agreement with Bendigo and Adelaide Bank Limited, the Company operates a branch of Bendigo Bank, providing a core range of banking products and services.		
11. Trade and other payables		
Trade creditors and accruals	57,230	56,155
GST payable	14,954	15,829
	<u>72,184</u>	<u>71,984</u>

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	2017 \$	2016 \$
12. Provisions		
Current		
Provision for employee entitlements	<u>11,084</u>	<u>14,516</u>
Number of employees at year end	<u>6</u>	<u>6</u>
13. Equity		
736,759 (2016: 736,759) fully paid ordinary shares	<u>736,759</u>	<u>736,759</u>
14. Cash flow information		
a. Reconciliation of cash flow from operations with profit after tax		
Profit after tax	87,585	154,954
Depreciation and amortisation	26,110	20,000
<i>Movement in assets and liabilities</i>		
Receivables	4,103	(377)
Other assets	(5,368)	(38,491)
Deferred tax asset	(1,061)	-
Payables	5,679	(8,715)
Provisions	(3,432)	3,651
Current tax liability	<u>19,320</u>	<u>-</u>
Net cash provided by operating activities	<u>132,936</u>	<u>131,022</u>
b. Credit Standby Arrangement and Loan Facilities		
The Company has a bank overdraft facility amounting to \$250,000 (2016: \$250,000). This may be terminated at any time at the option of the bank. At 30 June 2017 this facility was not used (2016: \$NIL). Interest rates are variable.		
15. Related party transactions		
There have been no related party transactions during the year.		

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	2017	2016
	\$	\$
16. Leasing commitments		
Non cancellable operating lease commitment contracted for but not capitalised in the financial statements		
Payable		
Not longer than 1 year	115,000	115,000
Longer than 1 year but not longer than 5 years	316,250	460,000
	431,250	575,000

17. Dividends

Unfranked Dividends of \$36,838 were declared during the year.

18. Financial risk management

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans, bills and leases.

The Directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

a. Financial risk management policies

Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for Company operations.

The Company does not have any derivative instruments at 30 June 2017.

b. Financial risk exposures and management

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

i. Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt.

ii. Liquidity risk

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

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Financial report for the year ended 30 June 2017

18. Financial risk management (Cont.)

iii. Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2017.

The Company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Company.

Credit risk is managed and reviewed regularly by the Board of Directors. It arises from exposures to customers as well as through deposits with financial institutions.

The Board of Directors monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the Company's strict credit policies may only purchase in cash or using recognised credit cards.

The trade receivables balances at 30 June 2016 and 30 June 2017 do not include any counterparties with external credit ratings. Customers are for credit worthiness using the criteria detailed above.

c. Financial Instrument Composition and Maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the statement of financial position.

2017		Variable	Fixed			
	Weighted Average Effective Interest Rate	Floating Interest Rate	Within 1 Year	Within 1 to 5 Years	Non- Interest Bearing	Total
<i>Financial Assets</i>						
Cash and cash equivalents	2.52%	-	263,002	-	177,993	440,995
Loans and receivables		-	-	-	82,774	82,774
Total Financial Assets		-	263,002	-	260,767	523,769
<i>Financial Liability</i>						
Trade and other payables		-	-	-	(72,184)	(72,184)
Total Financial Liabilities		-	-	-	(72,184)	(72,184)

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Financial report for the year ended 30 June 2017

2016		Variable	Fixed			
	Weighted Average Effective Interest Rate	Floating Interest Rate	Within 1 Year	Within 1 to 5 Years	Non Interest Bearing	Total
<i>Financial Assets</i>						
Cash and cash equivalents	2.84%	-	256,299	-	131,881	388,180
Loans and receivables		-	-	-	86,877	86,877
Total Financial Assets		-	256,299	-	218,758	475,057
<i>Financial Liability</i>						
Trade and other payables		-	-	-	(71,984)	(71,984)
Total Financial Liabilities		-	-	-	(71,984)	(71,984)

	2017	2016
	\$	\$
Trade and sundry payables are expected to be paid as followed:		
Less than 6 months	72,184	71,984

d. Net Fair Values

The net fair values of investments have been valued at the quoted market bid price at reporting date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the Company intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Fair values are materially in line with carrying values.

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e. Sensitivity Analysis

i. Interest Rate Risk

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

ii. Interest Rate Sensitivity Analysis

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

2017

		-2 %		+ 2%	
	Carrying Amount \$	Profit \$	Equity \$	Profit \$	Equity \$
<i>Financial Assets</i>					
Cash and cash equivalents	440,995	(8,820)	(8,820)	8,820	8,820

2016

		-2 %		+ 2%	
	Carrying Amount \$	Profit \$	Equity \$	Profit \$	Equity \$
<i>Financial Assets</i>					
Cash and cash equivalents	388,180	(7,764)	(7,764)	7,764	7,764

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

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Financial report for the year ended 30 June 2017

19. Operating Segments

Types of products and services by segment

The Company operates in the financial services sector as a branch of Bendigo Bank in Western Australia.

Major customers

The Company operates under the terms of a franchise agreement with Bendigo and Adelaide Bank Limited, which accounts for all of the franchise margin income.

20. Events after the Statement of Financial Position date

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

21. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets at the reporting date.

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	2017	2016
	\$	\$
22. Tax		
a. Liability		
Current		
Income tax	<u>19,320</u>	<u>-</u>
b. Assets		
Deferred tax assets comprise:		
Provisions	3,048	-
Other	<u>(1,987)</u>	<u>-</u>
	<u>1,061</u>	<u>-</u>
c. Reconciliations		
i. Gross Movements		
The overall movement in the deferred tax account is as follows:		
Opening balance	-	-
Statement of comprehensive income	<u>1,061</u>	<u>-</u>
Closing balance	<u>1,061</u>	<u>-</u>
ii. Deferred Tax Assets		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
<i>Provisions</i>		
Opening balance	-	-
Statement of comprehensive income	<u>3,048</u>	<u>-</u>
Closing balance	<u>3,048</u>	<u>-</u>
<i>Other</i>		
Opening balance	-	-
Statement of comprehensive income	<u>(1,987)</u>	<u>-</u>
Closing balance	<u>(1,987)</u>	<u>-</u>

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23. Economic dependency – Bendigo and Adelaide Bank Limited

The Company has entered into franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank branch at Fremantle, Western Australia.

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

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, 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 Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

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

- Advice and assistance in relation to the design, layout and fit out of the Community Bank branch;
- Training for the branch manager and other employees in banking management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of Company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sales techniques and proper customer relations.

24. Company details

The registered office and principal place of business of the Company is:

9 Adelaide Street
Fremantle WA 6160

FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

ABN 41 114 925 174

NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2017

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the accompanying financial statements and notes are in accordance with the *Corporations Act 2001* and:
 - a. Comply with Australian Accounting Standards; and
 - b. Comply with International Financial Reporting Standards, as disclosed in Note 1
 - c. give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the Company;
 - d. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
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 declaration is made in accordance with a resolution of the Board of Directors.



Director

John Bird



Debra Rule

Dated this Ninth day of September 2017

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

Opinion

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

In our opinion, the accompanying financial report of the Company is in accordance with the Corporations Act 2001, including:

- (i) Giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key audit matters

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

Key audit matter	How our audit addressed this matter
Recognition of expenditure	
<p>As reported in the statement of comprehensive income, the company incurred total operating expenses of \$842,555 of which \$368,801 is employee benefit expenses, \$26,110 is depreciation and amortisation expenses and \$447,644 is other expenses.</p> <p>We determined this area to be a key audit matter as control over expenditure is one of the key areas of focus for the company and other users of the financial statements.</p>	<p>Our audit procedures in relation to the material expenditure balances included:</p> <ul style="list-style-type: none"> • Understanding how expenditure is incurred and performing test of details to ensure the expenditure has been properly authorised, recorded in the correct period and appropriately classified; • Performing analytical review to assess the reasonableness of the balance and consistency with our expectations; and • Testing a sample of payroll expenditure items to ensure compliance with employment contracts and proper reporting of payroll expenditure in the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view 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 Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

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


RSM AUSTRALIA PARTNERS


DAVID WALL
Partner

Perth, WA
Dated: 11 September 2017