Annual Report 2017

Pine Rivers Community Finance Limited

ABN 14 098 199 476

Samford **Community Bank**® Branch
Brendale **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2017

It is with pleasure that I present to shareholders this 16th report of Pine Rivers Community Finance Limited.

In 2017 we are celebrating the 15th year since establishment of the Brendale **Community Bank**® Branch and the provision of banking services through our unique **Community Bank**® model to the residents and businesses of Brendale, Samford and surrounding areas.

Business results

Over the last 12 months, we have continued to grow the business, with net customer numbers increasing by 6% (previous year 4%) and loans and deposits under management increasing by 13% (previous year 6%). The value of our customers' banking business is now sitting at $188 million.

Revenue growth will continue to be challenging over the next 12 months, with interest rates and margins not expected to show any great improvement in the company's favour partly influenced by the changes to our revenue sharing model that commenced on 1 July 2016.

Your Board is actively reviewing its business and customer service focus to best manage the operational costs of the business and ensure the maximum level of service to our customers. Six months into the year, we established a new position of Mobile Relationship Manager on our staff to help drive new business opportunities and this initiative has already contributed to improving business performance.

Notwithstanding the challenges, we have committed to maintaining a strong level of investment in our communities during this financial year. We will continue to engage with our community partners and leverage these relationships to both communicate our unique value proposition and, through our team of passionate staff, expand our customer base.

Our community

We are extremely proud of the fact that your company has continued to support the community through its grants programme and several sponsorships during the year taking overall contributions over the last seven years to more than $440,000. During the financial year, we have invested considerable time and effort in developing our Defib for Life programme with installation of two defibrillator units in active public places in Samford Village and a third recently receiving landlord's approval. Our initiative with this programme was vindicated during the year with our first unit installed being used to save a resident's life.

Following the recent renovations to the Brendale Shopping Centre plans for additional units in the Brendale area are being progressed as are partnership opportunities with other local groups through the #Defib for Life initiative. The popular Driver Education programme has continued during the year with another 20 young drivers participating in this intensive one day training activity. Our customers, community organisations and shareholders continue to be our greatest advocates.

Our shareholders

Apart from providing the capital that underpins the company, shareholders play an even greater role through being customers of our branches and more importantly, being active advocates amongst family, friends and associates. We thank you for this support as do those organisations who benefit from the profits your company generates and is able to distribute through the community.

Notwithstanding the challenging conditions in which we operate, the company's overall financial position remains strong and ongoing profitability has enabled a shareholder dividend payment of 2.5 cents per share. Your Board is proud of the company's dividend track record distributing 39.5 cents of dividends per share in the last nine years, including an unbroken record of dividend payments since 2011.

Chairman's report (continued)

Our team

Our team comprises a group of dedicated volunteer Directors and a team of professional and friendly staff at both Brendale and Samford **Community Bank**® branches who provide a comprehensive range of competitive banking products to our customers.

The Board continued to work during the year with our Senior Manager, Bronwyn, her staff and the broader Bendigo bank team, to ensure that Bendigo Bank's value proposition and status as Australia's most customer connected bank continues to be upheld.

During the last 12 months we farewelled three of our volunteer Directors, Mike Clahsen, Terry Hogan and Jason Delisser. Our heartfelt thanks to each of them for their service and particularly to Jason for his four year commitment as Board Chairman. We were also pleased during the year to welcome two new Directors in Carolyn Grant and Professor Abby Senior who have brought new and valuable skills to the Board.

I would personally like to thank our Board members, our staff and the Bendigo Bank support team for giving their time and effort towards achieving the aims and goals of our company that are supporting a strong, successful, well connected and resilient community.

The unique point of difference between our company and other similar service providers is one of which we are extremely proud. I thank all of our shareholders, staff, customers and community partners for their ongoing support, and urge everyone to become vocal advocates of both our company and the **Community Bank**® model.

Bob Millar
Chairman

Senior Manager's report

For year ending 30 June 2017

We are pleased to report to the Board, shareholders and customers on a successful year's business result at both Brendale and Samford **Community Bank**® branches for the financial year ending 30 June 2017.

During the last 12 months, there have been 236 new customers (net) that have commenced a relationship with the **Community Bank**® branches. It is evident that the level of new enquiry is a result of positive advocacy (from both existing satisfied customers and community partners) and an overall lift in brand awareness across the community.

At the core of our community engagement activities, we have maintained our grants or 'community investment' programme that commenced in early 2012. We have had great pleasure in working closely with our community partners to deliver mutually beneficial results. Some of the community highlights over the last 12 months have included:

- Continuing the Annual Youth Defensive Driving Programme at Lakeside Park.
- Assisting the Men's Shed movement at Samford.
- Sponsoring horses at Samford Riding for the Disabled.
- Helping improve facilities for Samford Commons through both Millen Farm and Samford School of Sustainability.
- Supporting the arts, via the Arts Alliance of Pine Rivers, Creative Samford and Mount Glorious Community Association (Art Show).
- Providing assistance to volunteer groups that help others, including Samford Support Network, Pine Rivers Care Network, Verse for Vinnies and Charity Craft Creators.
- Support education and children at Lawnton State School and Pine Rivers State High School.
- Supporting the annual Samford Fun Run and Samford Stomp.
- Defib for Life Programme including the installation of two defibrillators within the Samford community.

We take great pleasure in maintaining close relationships with our community partners, and being able to provide much needed financial support that can make a positive difference within our community.

Over the next 12 months, our business priorities are to:

(i) further expand our number of customer relationships across both Brendale and Samford **Community Bank**® branches,

(ii) recruit and align people with greater focus on our lending growth objectives,

(iii) expand our network of small business customers,

(iv) share our story through our network of customers, centres of influence and community partners, and

(v) establish full transaction and account relationships with our customers.

To help achieve these objectives, the key messages that we intend to continue communicating to all of our stakeholders and non-customers include:

- How the **Community Bank**® company makes a positive contribution within Brendale, Samford and the broader Pine Rivers community.
- The financial support provided within our community is a direct result of individuals, families and business owners supporting the **Community Bank**® branches as customers.
- Bendigo Bank is Australia's fifth largest Bank providing the products and services you would expect from a major bank.
- Bendigo Bank's customer service is independently rated higher than any of the major banks, as all of the team pride ourselves on personal service and relationships.

Senior Manager's report (continued)

We would like to extend our thanks to the contribution and commitment made by all of our enthusiastic, hardworking and customer focussed staff who provide an enjoyable environment for both ourselves and our customers. We have recently welcomed Mandy Bell to the role of Mobile Relationship Manager for Brendale and Samford. Mandy is a highly experienced existing Bendigo Bank employee. We have also welcomed Jamie Wallwork and Morgan Newton who are new to the banking environment.

Finally, we would like to thank our loyal customers, shareholders, community partners and volunteer Board of Directors for their continued support of the **Community Bank**® company. We look forward to continuing to work with you in the years to come.

Bronwyn Fitzpatrick
Senior Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2017

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

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

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

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

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

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

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

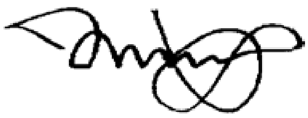
Representing us all at a recent forum at Canberra's Parliament House, Bendigo Bank's Managing Director and Chairman reinforced the significance of the **Community Bank®** model's achievements and called for regulatory change that would help us compete in a crowded and ever-evolving banking sector. Just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

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

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

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

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



Robert Musgrove
Executive Engagement Innovation

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 Pine Rivers Community Finance Limited during or since the end of the financial year up to the date of this report:

Robert Millar

Position	Chairperson (Since December 2016)
Professional qualifications	Diploma Australian Institute of Company Directors (AICD); Fellow of AICD, Fellow Financial Services Institute of Australia.
Experience and expertise	Over 30 years experience in banking industry; Councillor Moreton Bay Regional Council - 2000 to 2016 (Chairman of Corporate Services, Chairman of Audit Committee); Member Local Government Mutual Services Board 2008 - present; Member Local Government Workcover Board 2009 - present.

Anthony Freeman

Position	Deputy Chairperson (Since December 2016)
Professional qualifications	Bachelor of Business Studies, Justice of the Peace (Qualified).
Experience and expertise	Management and general management roles in consumer product marketing fields. Member of Rotary for 26 years. Principal of Freeman Marketing Services for 16 years providing business development and coaching to small to medium sized enterprises.

Gail Brown

Position	Company Secretary
Experience and expertise	A trained and accredited mediator. Over 25 years experience in the banking industry; 20 years with Uni Credit Union with roles and responsibilities ranging from Teller to Branch Manager. A merger with bankmecu in 2008 provided opportunities within a larger organisation and Gail took up the role of Queensland Personal Banking Service Manager. Gail retired from this position in 2013.

Paul Outen

Position	Treasurer
Professional qualifications	Bachelor of Business; Member of the Association of Chartered Accountants.
Experience and expertise	Owner of First Class Accounts; 2nd Officer of Closeburn Rural Fire Brigade; Director of Ozmann Pty Ltd.

Kenneth Armstrong

Position	Non-Executive Director
Experience and expertise	Major, retired, British Army RA, Retired Managing Director of a major military procurement organisation in the Middle East (15 years in Oman) and inaugural president of the Arts Alliance of Pine Rivers (now a local Arts Council). Past president of the Rotary Club of Albany Creek and remaining as a Board member. Managing Director of Armex Pty Ltd.

Directors (continued)

Abigail Senior

Position	Non-Executive Director (Board Member since October 2016)
Professional qualifications	PhD, MSc Strategy & Resource Management, BA (Hons) Business Management, Member AICD.
Experience and expertise	Professor of Work and Organisation in QUT Business School and Head of QUT's Academy of Learning and Teaching. Prior to moving to Australia Abby worked in management roles in the UK. Abby is an international accreditor and Principal Fellow of the Higher Education Academy (UK) and has wide experience working with community organisations and Higher Education providers globally.

Carolyn Grant

Position	Non-Executive Director (Board Member since December 2016)
Professional qualifications	Diploma Australian Institute of Company Directors (AICD); Bachelor of Commerce; Bachelor of Arts; Associate of Net Promotor Score.
Experience and expertise	Carolyn is Director and founder of 6peas marketing and engagement and e-commerce store The Little Distinctions. Carolyn has over 20 years in senior level marketing roles in Australia and Hong Kong in Finance, Energy and Retail. Carolyn has previously served on Samford Show Society and Mater Little Miracles committees for 8 years.

Jason Delisser

Position	Chairperson (Retired from Board December 2016)
Professional qualifications	Bachelor of Commerce, Bachelor of Laws, Graduate Diploma in Applied Finance & Investment, MBA, Graduate Diploma of Financial Planning.
Experience and expertise	Over 20 years banking and financial experience.

Michael Clahsen

Position	Non-Executive Director (Retired from Board December 2016)
Experience and expertise	Over 30 years experience in software industry; 16 years at ASX listed Technology One Pty Ltd and owner of Majestri Pty Ltd; Board member and volunteer of BrAshA-T Limited since 2007; Former committee member and president of Samford Sporting Association (Samford Rangers Football Club 2004-2010). Member of the Steering Committee that established Samford **Community Bank**® Branch of Bendigo Bank.

Terence Hogan

Position	Non-Executive Director (Retired from Board March 2017)
Experience and expertise	Currently Adjunct Professor in the School of Government and International Relations and Principal Policy Adviser to the Vice Chancellor of Griffith University. Former Director General, Chief Executive and senior management positions in Local, State and Commonwealth Government agencies. Chair of the Steering Committee that established Samford **Community Bank**® Branch of Bendigo Bank and chaired the Pine Rivers Community Finance Limited's Finance and Audit Committee. Has wide experience in community organisations (e.g. President Samford Show Society) and is a member of the Sustainability Advisory Panel for the 2018 Commonwealth Games.

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

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

Directors' report (continued)

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings		Finance and Audit Committee meetings	
	A	B	A	B
Robert Millar	10	9	4	4
Anthony Freeman	10	10	N/A	N/A
Gail Brown	10	9	9	7
Paul Outen	10	9	9	9
Kenneth Armstrong	10	9	9	8
Abigail Senior	8	7	5	4
Carolyn Grant	6	6	N/A	N/A
Jason Delisser	5	5	N/A	N/A
Michael Clahsen	5	2	N/A	N/A
Terence Hogan	7	5	6	0

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

Company Secretary

Gail Brown has been the Company Secretary of Pine Rivers Community Finance Limited since 2015.

Gail is a trained and accredited mediator. Over 25 years experience in the banking industry; 20 years with Uni Credit Union with roles and responsibilities ranging from Teller to Branch Manager. A merger with bankmecu in 2008 provided opportunities within a larger organisation and Gail took up the role of Queensland Personal Banking Service Manager. Gail retired from this position in 2013.

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 $36,698 (2016 profit: $75,857), which is a 52% decrease as compared with the previous year.

Dividends

Dividends paid or declared since the start of the financial year.

An unfranked final dividend of 2.5 cents per share was paid during the year for the year ended 30 June 2016.
An unfranked final dividend of 2.5 cents per share has been declared for the year ended 30 June 2017, payable 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.

Indemnifying Officers or Auditor

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

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

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.

Signed in accordance with a resolution of the Board of Directors at Bendigo Bank Samford on 4 October 2017.

Robert Millar
Chairman

Auditor's independence declaration

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Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Pine Rivers Community Finance 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.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 11th October 2017

Financial statements

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

	Notes	2017 $	2016 $
Revenue	2	1,255,672	1,250,301
Expenses			
Employee benefits expense	3	(648,061)	(619,183)
Depreciation and amortisation	3	(88,613)	(91,368)
Bad and doubtful debts expense	3	(635)	(1,546)
Administration and general costs		(165,060)	(156,121)
Occupancy expenses		(185,202)	(181,167)
IT expenses		(53,773)	(55,826)
		(1,141,344)	**(1,105,211)**
Operating profit before charitable donations and sponsorships		**114,328**	**145,090**
Charitable donations and sponsorships		(55,008)	(57,542)
Profit before income tax		**59,320**	**87,548**
Income tax expense	4	(21,577)	(11,691)
Profit for the year		**37,743**	**75,857**
Other comprehensive income		-	-
Total comprehensive income for the year		**37,743**	**75,857**
Profit attributable to members of the company		37,743	75,857
Total comprehensive income attributable to members of the company		**37,743**	**75,857**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	18	3.42	6.88

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	221,587	199,289
Investments and Financial Assets	7	383,041	274,653
Trade and other receivables	6	121,341	117,828
Current tax asset	4	-	7,480
Other assets	8	3,364	3,700
Total current assets		**729,333**	**602,950**
Non-current assets			
Property, plant and equipment	9	217,296	285,560
Intangible assets	10	45,963	65,045
Total non-current assets		**263,259**	**350,605**
Total assets		**992,592**	**953,555**
Liabilities			
Current liabilities			
Current Tax Payable	4	3,084	-
Trade and other payables	11	160,916	135,155
Provisions	13	27,550	27,550
Total current liabilities		**191,550**	**162,705**
Net assets		**801,042**	**790,849**
Equity			
Issued capital	14	916,808	916,808
Accumulated losses	15	(115,766)	(125,959)
Total equity		**801,042**	**790,849**

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		916,808	(174,266)	742,542
Profit for the year		-	75,857	75,857
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**75,857**	**75,857**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	16	-	(27,550)	(27,550)
Balance at 30 June 2016		**916,808**	**(125,959)**	**790,849**
Balance at 1 July 2016		916,808	(125,959)	790,849
Profit for the year		-	37,743	37,743
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**37,743**	**37,743**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	16	-	(27,550)	(27,550)
Balance at 30 June 2017		**916,808**	**(115,766)**	**801,042**

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		1,365,113	1,353,657
Payments to suppliers and employees		(1,205,257)	(1,174,024)
Interest received		9,495	240
Income tax paid		(11,013)	(5,230)
Net cash provided by operating activities	**19b**	**158,338**	**174,643**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,267)	(25,776)
Purchase of investments		(108,388)	(7,859)
Purchase of intangible assets		-	(23,027)
Net cash flows from used in investing activities		**(109,655)**	**(56,662)**
Cash flows from financing activities			
Dividends paid		(26,385)	(27,550)
Net cash provided by used in financing activities		**(26,385)**	**(27,550)**
Net increase in cash held		**22,298**	**90,431**
Cash and cash equivalents at beginning of financial year		199,289	108,858
Cash and cash equivalents at end of financial year	**19a**	**221,587**	**199,289**

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 Pine Rivers Community Finance Limited.

Pine Rivers Community Finance 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 4 October 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.

<u>Economic dependency</u>

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

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.

Notes to the financial statements (continued)

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.

Fair value assessment of non-current physical assets

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

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.

Note 1. Summary of significant accounting policies (continued)

(f) Critical accounting estimates and judgements (continued)

Income tax

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

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

Impairment

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

(g) New accounting standards for application in future periods

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

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

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

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

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

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

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

   (ii) the characteristics of the contractual cash flows.

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

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

(f) Critical accounting estimates and judgements (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

AASB 16:

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

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

Note 2. Revenue

Revenue 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	174,862	270,995
- profit share	1,067,167	970,688
	1,242,029	**1,241,683**
Other revenue		
- interest received	10,276	7,294
- other revenue	3,367	1,324
	13,643	**8,618**
Total revenue	**1,255,672**	**1,250,301**

Note 3. Expenses

Operating expenses

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

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised leased assets, but excluding freehold land, 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.

Note 3. Expenses (continued)

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

Class of asset	Rate	Method
Leasehold improvements	2.5 - 20%	SL
Plant and equipment	5 - 40%	SL / DV
Motor vehicles	25%	DV

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	473,614	442,650
- superannuation costs	46,237	43,031
- workers compensation	2,498	2,671
- payroll tax	27,076	24,760
- other costs	98,636	106,072
	648,061	**619,183**
Depreciation and amortisation		
Depreciation		
- plant and equipment	23,966	27,585
- motor vehicles	1,856	2,475
- leasehold improvements	43,709	43,009
	69,531	**73,069**
Amortisation		
- franchise fees	19,082	18,299
	19,082	**18,299**
Total depreciation and amortisation	**88,613**	**91,368**
Bad and doubtful debts expenses	635	1,546
Auditors' remuneration		
Remuneration of the Auditor, Richmond, Sinnott & Delahunty, for:		
- Audit or review of the financial report	5,500	5,000
- Share registry services	3,808	3,624
	9,308	**8,624**

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 assets are measured at the amounts expected to be 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	12,980	19,858
Deferred tax expense	-	-
Recoupment of prior year tax losses	-	(8,597)
Under provision of prior years	8,597	430
	21,577	**11,691**
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%)	16,313	24,951
Add tax effect of:		
- Recoupment of prior year tax losses	-	(8,597)
- Under provision of prior years	8,597	430
- Deductible expenses	(10,586)	(19,030)
- Non-deductible expenses	7,253	13,937
Income tax attributable to the entity	**21,577**	**11,691**
The applicable weighted average effective tax rate is	36.37%	13.35%

	2017 $	2016 $

Note 4. Income tax (continued)

c. Current tax liability

	2017 $	2016 $
Current tax relates to the following:		
Current tax asset		
Opening balance	(7,480)	(5,343)
Income tax paid	(11,013)	(5,231)
Current tax	12,980	11,691
Recoupment prior year tax losses	-	(8,597)
Under provision prior years	8,597	-
	3,084	**(7,480)**

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	160,663	199,289
Short-term bank deposits	60,924	-
	221,587	**199,289**

The effective interest rate on short-term bank deposits was 1.7% (2016: Nil%); these deposits have an average maturity of 61 days.

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 ther eis objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

	2017 $	2016 $

Note 6. Trade and other receivables (continued)

Current

Trade receivables	117,905	115,173
Other receivables	3,436	2,655
	121,341	**117,828**

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

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

	Gross amount $	Not past due $	Past due but not impaired			Past due and impaired $
			< 30 days $	31-60 days $	> 60 days $	
2017						
Trade receivables	117,905	117,905	-	-	-	-
Other receivables	3,436	3,436	-	-	-	-
Total	**121,341**	**121,341**	**-**	**-**	**-**	**-**
2016						
Trade receivables	115,173	115,173	-	-	-	-
Other receivables	2,655	2,655	-	-	-	-
Total	**117,828**	**117,828**	**-**	**-**	**-**	**-**

Note 7. Financial assets

Short-term Bank Deposits

The effective interest rate on short-term bank deposits was 2.25% (2016: 2.60%); these deposits have an average maturity of 6 months

	2017 $	2016 $
Term deposits	383,041	274,653
	383,041	**274,653**

Note 8. Other assets

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

	2017 $	2016 $
Prepayments	3,364	3,700
	3,364	**3,700**

Note 9. Property, plant and equipment

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	243,330	243,330
Less accumulated depreciation	(133,753)	(90,044)
	109,576	**153,285**

	2017 $	2016 $
Note 9. Property, plant and equipment (continued)		
Plant and equipment		
At cost	299,553	298,286
Less accumulated depreciation	(197,401)	(173,435)
	102,152	**124,851**
Motor Vehicles		
At cost	18,379	18,379
Less accumulated depreciation	(12,811)	(10,955)
	5,568	**7,424**
Total property, plant and equipment	**217,296**	**285,560**
Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the reporting period	153,285	171,733
Additions	-	24,561
Depreciation expense	(43,709)	(43,009)
Balance at the end of the reporting period	**109,576**	**153,285**
Plant and equipment		
Balance at the beginning of the reporting period	124,851	151,221
Additions	1,267	1,215
Disposals	-	-
Depreciation expense	(23,966)	(27,585)
Balance at the end of the reporting period	**102,152**	**124,851**
Motor Vehicles		
Balance at the beginning of the reporting period	7,424	9,899
Additions	-	-
Disposals	-	-
Depreciation expense	(1,856)	(2,475)
Balance at the end of the reporting period	**5,568**	**7,424**
Total property, plant and equipment		
Balance at the beginning of the reporting period	285,560	332,853
Additions	1,267	25,776
Disposals	-	-
Depreciation expense	(69,531)	(73,069)
Balance at the end of the reporting period	**217,296**	**285,560**

Note 10. 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 $
Franchise fee		
At cost	95,406	95,406
Less accumulated amortisation	(49,443)	(30,362)
	45,963	**65,045**
Total intangible assets	**45,963**	**65,045**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	65,045	60,316
Additions	-	23,027
Disposals	-	-
Amortisation expense	(19,082)	(18,299)
Balance at the end of the reporting period	**45,963**	**65,045**
Total intangible assets		
Balance at the beginning of the reporting period	65,045	60,316
Additions	-	23,027
Disposals	-	-
Amortisation expense	(19,082)	(18,299)
Balance at the end of the reporting period	**45,963**	**65,045**

Note 11. Trade and other payables

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

	2017 $	2016 $
Note 11. Trade and other payables (continued)		
Current		
Unsecured liabilities:		
Trade creditors	128,998	66,988
Grants Payable	-	29,387
Accrued Expenses	15,904	20,126
Unclaimed Dividends	8,286	7,120
Other creditors and accruals	7,728	11,533
	160,916	**135,155**

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

Note 12. Financial liabilities

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

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

Note 13. Provisions

	2017 $	2016 $
Current		
Dividends	27,550	27,550
Total provisions	**27,550**	**27,550**

Note re Employee Benefits Provision

All staff requirements are provided by permanently seconded employees of Bendigo and Adelaide Bank Limited.

Note 14. Share capital

Ordinary shares are classified as equity.

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

	2017 $	2016 $
Note 14. Share capital (continued)		
1,102,008 Ordinary shares fully paid	960,308	960,308
Less: Equity raising costs	(43,500)	(43,500)
	916,808	**916,808**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	1,102,008	1,102,008
Shares issued during the year	-	-
At the end of the reporting period	**1,102,008**	**1,102,008**

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

Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

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

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

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

	2017 $	2016 $

Note 15. Accumulated losses

	2017 $	2016 $
Balance at the beginning of the reporting period	(125,959)	(174,266)
Profit after income tax	37,743	75,857
Dividends paid	(27,550)	(27,550)
Balance at the end of the reporting period	**(115,766)**	**(125,959)**

Note 16. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year		
A final unfranked dividend for 2016 of 2.5 cents per share was paid		
A final unfranked dividend for 2017 of 2.5 cents per share was declared in June 2017.	27,550	27,550

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

Note 17. Reserves

The company has no reserves on the balance sheet as at 30 June 2017

Note 18. 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)	3.42	6.88
Earnings used in calculating basic earnings per share	37,743	75,857

Note 19. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:

Cash and cash equivalents (Note 5)	221,587	199,289
As per the Statement of Cash Flow	**221,587**	**199,289**

Note 19. Statement of cash flows (continued)

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

	2017 $	2016 $
Profit after income tax	37,743	75,858
Non-cash flows in profit		
- Depreciation	69,531	73,069
- Amortisation	19,082	18,299
- Bad debts	635	1,547
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(4,148)	(6,007)
- (increase) / decrease in prepayments and other assets	336	(3,375)
- Increase / (decrease) in trade and other payables	24,595	8,793
- Increase / (decrease) in current tax liability	10,564	6,460
- Increase / (decrease) in provisions	-	-
Net cash flows from operating activities	**158,338**	**174,643**

Note 20. 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 Director of the company receives remuneration for services as a Director or Committee Member

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

(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 $
First Class Accounts - The Gap	For Bookkeeping and BAS Agent	12,000
Majestri	For IT and Merchant services	858

Note 20. Key management personnel and related party disclosures (continued)

(c) Transactions with key management personnel and related parties (continued)

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

The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be $700 for the year ended 30 June 2017.

(d) Key management personnel shareholdings

The number of ordinary shares in Pine Rivers Community Finance Limited held by each key management personnel of the company during the financial year is as follows:

	2017	2016
Jason Delisser	3,200	3,200
Paul Outen - Treasurer	-	-
Gail Brown - Secretary	-	-
Robert Millar - Chairman	3,500	3,500
Michael Clahsen	12,000	12,000
Kenneth Armstrong	-	-
Anthony Freeman	1,500	1,500
Terence Hogan	500	500
Abigail Senior	500	500
Carolyn Grant	-	-
	21,200	**21,200**

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 21. 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 22. Contingent liabilities and contingent assets

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

Note 23. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in two areas being Brendale and Samford, Queensland. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 99% of the revenue (2016: 100%).

Note 24. 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	159,266	137,872
- between 12 months and five years	139,461	151,445
- greater than five years	-	-
Minimum lease payments	**298,727**	**289,317**

The two property leases are non-cancellable leases with varying terms (5 years and 3 years) with rent payable monthly in advance. The leases also have varying extension options

Note 25. Company details

The registered office and principle place of business is.:

Shop 4 Brendale 7 Day Shopping Centre,
Kremzow Road, Brendale, Qld 4500

Note 26. 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.

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 26. Financial risk management

Specific financial risk exposure and management

	Note	2017 $	2016 $
Financial assets			
Cash and cash equivalents	5	221,587	199,289
Trade and other receivables	6	121,341	117,828
Investments and other Financial assets	7	383,041	274,653
Total financial assets		**725,969**	**591,770**
Financial liabilities			
Trade and other payables	11	160,916	135,155
Total financial liabilities		**160,916**	**135,155**

(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.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Note 26. Financial risk management (continued)

(b) Liquidity risk (continued)

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	0.57%	221,587	221,587	-	-
Trade and other receivables	-%	121,341	121,341	-	-
Investments and other Financial assets	2.25%	383,041	383,041	-	-
Total anticipated inflows		**725,969**	**725,969**	**-**	**-**
Financial liabilities					
Trade and other payables	-%	160,916	160,916	-	-
Total expected outflows		**160,916**	**160,916**	**-**	**-**
Net inflow / (outflow) on financial instruments		**565,053**	**565,053**	**-**	**-**

30 June 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	3%	199,289	199,289	-	-
Trade and other receivables	-%	117,828	117,828	-	-
Investments and other Financial assets	2.6%	274,653	274,653	-	-
Total anticipated inflows		**591,770**	**591,770**	**-**	**-**
Financial liabilities					
Trade and other payables	-%	135,155	135,155	-	-
Total expected outflows		**135,155**	**135,155**	**-**	**-**
Net inflow / (outflow) on financial instruments		**456,615**	**456,615**	**-**	**-**

* The Bank overdraft has no set repayment period and as such all has been included as current.

Note 26. 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.

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)	6,046	6,046
+/- 1% in interest rates (interest expense)	-	-
	6,046	**6,046**
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	4,739	4,739
+/- 1% in interest rates (interest expense)	-	-
	4,739	**4,739**

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

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

Fair value estimation

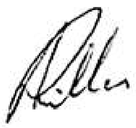
The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position. The company does not have any recognised financial instruments at year end.

Directors' declaration

In accordance with a resolution of the Directors of Pine Rivers Community Finance Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 12 to 36 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.



Robert Millar
Chairman

Signed at Samford on 6 October 2017.

Independent audit report

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PINE RIVERS COMMUNITY FINANCE LIMITED

Opinion

We have audited the financial report of Pine Rivers Community Finance 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 Pine Rivers Community Finance 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 are independent of the Group 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.

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

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 out 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 reads 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.

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 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 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 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 the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsible to those risks, and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness if 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 in 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.
- 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. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company 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.

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.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Kathie Teasdale
Partner

Dated at Bendigo, 11th October 2017

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