B&E Ltd

Annual Report 2016/2017

DIRECTORS' REPORT

For the year ended 30 June 2017

Your directors submit their report for the year ended 30 June 2017.

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

Stephen Benbow BROWN MBA BBus FCA FAICD (Chairman)

Mr Brown is CEO of Launceston City Mission. Prior to this he was Executive Director with a national training organisation and formerly worked in public accounting, consulting and as CEO of a WA-based mutual health insurance organisation. He is also the current Chairman of Health Recruitment Plus Tasmania.

Mr Brown was appointed B&E Ltd Chairman in October 2014 and has been a Director since January 2009. He is also Chairman of the Board Corporate Governance Committee and the Board Remuneration Committee.

Lynley (Lyn) Thomas COX BEc FCA FAICD

Mr Cox worked in public accounting from 1970 and was a partner of Deloitte Touche Tohmatsu and antecedent firms from 1976 to 2007 including over 10 years as State Managing Partner. He was a Director and State President of the Australian Institute of Company Directors, Chairman and a Director of the Tasmanian Development Board and a Member of the Governing Council of Tasmanian Health Organisation – South.

Mr Cox has been a Director since June 2007 and past Chairman 2011-2014. He is also Chairman of the Board Audit Committee and is a member of the Board Risk Committee.

Keryn Louise NYLANDER BA FAICD

Ms Nylander, a former journalist and television news director, is an experienced public relations, media, marketing, brand and communications specialist now heading up her own business, Nylander Consulting. She has served on several boards over the past decade including Wine Tasmania, Tasmanian Development Board and Fahan School.

Ms Nylander has been a B&E Ltd Director since 2004 and served as Chairman 2009-2011. She is a member of the Board Corporate Governance Committee and Board Remuneration Committee.

Colin (Mac) McDougall RUSSELL AM

Mr Russell is a former CEO and founder of Russell-Smith Electrical. He has also been involved as an owner and a director of other Tasmanian entities, including Degree C Pty Ltd and Lemonthyme Lodge. He has served as State and National President of the National Electrical and Communications Association. His recent roles include being Chair of Connect Superannuation and the Australian Technical College Northern Tasmania. Current involvements include being a Director of Degree C Pty Ltd and Chair of a private investment and property company.

Mr Russell was appointed as a B&E Ltd Director in April 2008 and is a member of the Board Remuneration Committee and the Board Corporate Governance Committee. Mr Russell was also Chairman of B&Z JV Pty Ltd, a former related party of B&E Ltd. He was appointed to this role effective 21 February 2013 and resigned 22nd July 2016 when B&E Ltd sold its 50% share.

Mark Anthony NUGENT BCom CPA GAICD

Mr Nugent is Chief Financial Officer of Fairbrother Pty Ltd. He is a Director of Fairbrother Pty Ltd, a Director of Degree C Pty Ltd and a Board Member of OzHelp Tasmania. He has more than 25 years' experience in management, accounting and administration in both the private and public sectors.

Mr Nugent was appointed as a B&E Ltd Director in February 2012 and is Chairman of the Board Risk Committee and a member of the Board Audit Committee.

Scott NEWTON FAPI, B.Bus (L.Ec) GAICD

Mr Newton is currently CEO of Knight Frank Tasmania and IPST Pty Ltd, the ownership entity controlling Knight Frank Tasmania and formerly Opteon Property Group Tasmania, the state's largest property services business at the time. He has worked in the property industry for over 27 years and served as the National Director of Opteon Property Group and State President of the Australian Property Institute.

Knight Frank Tasmania and IPST Pty Ltd sold its shareholding in Opteon Property Group Tasmania on 1 March 2017.

Mr Newton was appointed as a B&E Ltd Director on 26 October 2014 and is a member of the Board Audit Committee and Board Risk Committee.

DIRECTORS' REPORT (continued)

For the year ended 30 June 2017

ADVISOR

Sally Anne DARKE BEc

Mrs Darke has been involved in corporate governance, strategic planning, human resource consulting for over 20 years and was previously employed for 10 years by KPMG as a Director in the consulting division (resigned 31 December 2015).

Mrs Darke was a Director of B&E from 1995, until her resignation as a Director in November 2005, when she commenced as an advisor to the Board and its Corporate Governance and Remuneration Committees. Mrs Darke served as Board Chairman 2002 – 2005. Mrs Darkes contract as Board Advisor expired on 31 August 2016.

COMPANY SECRETARY

Gerald Leigh WHITE BBus(Acc), FCA, MBA, GAICD

Mr White joined the Company on 6 May 2013 as Chief Financial Officer (CFO) and was appointed as Company Secretary effective 16 May 2013. Gerald was also the Company Secretary of B&Z JV Pty Ltd a former related party of B&E Ltd and was appointed to this role effective 1 August 2013 and resigned 22 July 2016 when B&E Ltd sold its 50% share.

	BOARD OF DIRECTORS MEETINGS		MEETINGS OF COMMITTEES							
			Risk		Audit		Remuneration		Corporate Governance	
Meetings held:	11		6		4		3		3	
Attended by	Eligible to attend	No. attended	Eligible to attend	No. attended	Eligible to attend	No. attended	Eligible to attend	No. attended	Eligible to attend	No. attended
S B Brown	11	11	-	-	-	-	3	3	3	3
L T Cox	11	10	6	6	4	4	-	-	-	-
K L Nylander	11	10	-	-	-	-	3	3	3	3
C M Russell	11	9	-	-	-	-	3	3	3	3
M A Nugent	11	10	6	6	4	4	-	-	-	-
S Newton	11	10	6	6	4	4	-	-	-	-
S A Darke *	2	1	-	-	-	-	1	1	-	-

* Former a*dvisor to the B&E Board and B&E Board Committees (contract expired 31 August 2016)*

Principal Activities

The principal activities of the Company during the course of the financial year remained unchanged and were the provision of financial services to clients through a range of saving, investment, loan and insurance products.

Operating Results

Profit for the financial year, after providing for income tax, was $3,451,193 (2016: $3,216,745).

Significant Changes in Affairs

There were no significant changes in the state of affairs of the Company during the financial year.

DIRECTORS' REPORT (continued)

For the year ended 30 June 2017

Events Subsequent to Balance Date

In the interval between the end of the financial period and the date of this report, no matter or circumstance has arisen that, in the Directors' opinion, has significantly affected or may significantly affect:
i. the operations of the Company; or
ii. the results of those operations; or
iii. the state of affairs of the Company;
in subsequent financial years.

Review of Operations

The year under review recorded good results in all areas of business operations. Another year with strong improvement in loans approved of $169 million (2016: $139 million) with the total loan portfolio growing by $47.56 million to $630.4 million.
Profit before income tax for the year was $4,855,500 (2016: $4,589,519).
The profit result for the year was impacted by a decrease in net interest margin as a result of interest rate reductions and competition.
Total assets increased 4.91% to $763.6 million (2016: increased 3.21% to $727.9 million).

Likely Developments

The Board has decided to change the status of B&E from a building society to a customer owner bank, this will also include a major rebranding. There are no other known likely developments at the date of this report that will impact the operations of the Company in a material way.

Environmental Issues

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

Public Prudential Disclosures

In accordance with APS 330 Public Disclosure requirements, the Company is to disclose certain information in respect of:
- details on the composition and features of capital and risk weighted assets; and
- both qualitative and quantitative disclosures for senior managers and material risk takers.

These disclosures can be viewed on the Company's website: http://www.b-e.com.au/reports (under prudential information section).

Indemnification and Insurance of Officers and Auditors

The Directors and Officers of the Company have been indemnified against personal losses arising from their respective positions within the Company.
The Company has the benefit of a Directors' and Officers' Insurance policy. In accordance with common commercial practice the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.
No liability has arisen under these indemnities as at the date of this report.
The Company has not provided any insurance for the auditor.

Auditor's Independence

An Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 has been received by the Directors, and a copy of the declaration is set out on page 51.

Signed in accordance with a resolution of Directors

Stephen Brown
Chairman
Dated at Launceston 29 August 2017

DIRECTORS'DECLARATION

In the opinion of the directors of B&E Ltd:

a. the financial statements and notes of B&E Ltd are in accordance with the *Corporations Act 2001* , including

   i. giving a true and fair view of its financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

   ii. complying with Australia Accounting Standards and the *Corporation Regulations 2001* ; and

b. there are reasonable grounds to believe that B&E Limited will be able to pay its debts as and when they become due and payable.

c. the financial statements comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Director

Dated at Launceston 29 August 2017

Financial statements
For the year ended 30 June 2017

CONTENTS

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

	Notes	2017 $	2016 $
Interest revenue	3	29,275,162	30,839,839
Interest expense	3	(13,568,095)	(14,709,372)
Net interest income		15,707,067	16,130,467
Non-interest income	4	4,197,415	2,319,663
		4,197,415	2,319,663
Non-interest expenses			
Fees & commission expense		(1,717,840)	(1,547,538)
Impairment expense	5	(50,801)	4,119
Marketing costs		(712,969)	(761,929)
Employee costs		(8,075,768)	(7,566,355)
Communications and information technology expense		(1,007,017)	(895,696)
Occupancy costs		(1,606,066)	(1,515,327)
Administrative costs		(1,878,521)	(1,577,885)
Profit before income tax		4,855,500	4,589,519
Income tax expense	6	(1,404,307)	(1,372,774)
Profit after income tax		3,451,193	3,216,745
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on revaluation of buildings		1,656,128	-
Income tax attributable to revaluation		(496,838)	-
Total other comprehensive income, net of income tax		1,159,290	-
TOTAL COMPREHENSIVE INCOME		4,610,483	3,216,745

The statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Statement of Financial Position
As At 30 June 2017

	Notes	2017 $	2016 $
ASSETS			
Cash	7	45,173,680	54,772,061
Trade receivables	8	420,478	555,077
Placements with other financial institutions	9	77,264,672	78,144,075
Loans to members	10	630,360,393	582,801,168
Investments	11	96,146	106,146
Prepayments		243,429	230,550
Property, plant & equipment	12	6,356,852	7,161,131
Investment property	13	2,945,001	3,060,095
Deferred tax	20(b)	402,650	545,402
Intangible assets	14	340,138	491,194
TOTAL ASSETS		763,603,439	727,866,899
LIABILITIES			
Deposits from other financial institutions	15	34,745,000	45,245,000
Deposits from members	16	649,738,939	609,851,859
Trade and other payables	17	6,184,986	4,778,578
Employee benefits	18	1,050,903	1,151,780
Current tax liabilities	20(a)	244,512	223,090
Deferred tax liabilities	20(a)	415,996	3,972
Long term borrowings	19	3,000,000	3,000,000
TOTAL LIABILITIES		695,380,336	664,254,279
NET ASSETS		68,223,103	63,612,620
MEMBERS' EQUITY			
Reserves		68,223,103	63,612,620
TOTAL MEMBERS' EQUITY		68,223,103	63,612,620

The statement of financial position is to be read in conjunction with the accompanying notes.

Statement of Changes in Members' Equity

For the Year ended 30th June 2017	Retained earnings $	Asset revaluation reserve $	General reserve $	Credit asset impairment reserve $	Total $
Balance at 1 July 2016	-	2,875,515	59,601,524	1,135,581	63,612,620
Net profit for the period	3,451,193	-	-	-	3,451,193
Other comprehensive income	-	1,159,290	-	-	1,159,290
Transfers to and from reserves					
General reserve	(3,451,193)	-	3,451,193	-	-
Asset revaluation reserve	-	(1,489,455)	1,489,455	-	-
Credit asset impairment reserve	-	-	(197,555)	197,555	-
Equity as at 30 June 2017	-	2,545,350	64,344,617	1,333,136	68,223,103

For the Year ended 30th June 2016	Retained earnings $	Asset revaluation reserve $	General reserve $	Credit asset impairment reserve $	Total $
Balance at 1 July 2015	-	2,875,515	56,455,616	1,064,744	60,395,875
Net profit for the period	3,216,745	-	-	-	3,216,745
Other comprehensive income	-	-	-	-	-
Transfers to and from reserves					
General reserve	(3,216,745)	-	3,216,745	-	-
Asset revaluation reserve	-	-	-	-	-
Credit asset impairment reserve	-	-	(70,837)	70,837	-
Equity as at 30 June 2016	-	2,875,515	59,601,524	1,135,581	63,612,620

The statement of changes in members' equity is to be read in conjunction with the accompanying notes.

B&E Ltd

Statement of Cash Flows
For the Year Ended 30 June 2017

	Notes	2017 $	2016 $
Cash flows from operating activities:			
Interest received		29,372,782	30,824,774
Interest paid		(12,851,842)	(15,314,939)
Payments to suppliers		(5,916,520)	(4,735,749)
Other receipts		2,969,673	2,334,093
Payments to employees		(8,401,008)	(7,908,838)
Income taxes paid		(1,324,948)	(1,434,821)
	22(a)	3,848,137	3,764,520
(Increase)/decrease in operating assets:			
Net increase in loans and advances		(47,610,026)	(36,151,634)
Net movement in deposits from other financial institutions		(10,500,000)	622,272
Net movement in member deposits		40,084,563	19,296,326
Net cash provided by/(used in) operating activities	22(a)	(14,177,326)	(12,468,516)
Cash flows from investing activities:			
Net increase in placements with other financial institutions		879,403	13,785,608
Sale of investment securities		10,000	-
Proceeds from sale of property, plant and equipment		4,434,524	19,414
Acquisition of property, plant and equipment		(744,982)	(626,854)
Acquisition of investment properties		-	-
Acquisition of intangibles		-	(7,558)
Net cash provided by/(used in) investing activities		4,578,945	13,170,610
Cash flows from financing activities:			
Issuance of subordinated debt		-	-
Net cash provided by financing activities		-	-
Net increase/(decrease) in cash		(9,598,381)	702,094
Cash at beginning of year		54,772,061	54,069,967
Cash at end of year	7	45,173,680	54,772,061

The statement of cash flows is to be read in conjunction with the accompanying notes.

Notes to the Financial Statements
For the Year Ended 30 June 2017

1 Statement of significant accounting policies

Statement of compliance

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

B&E Ltd (the Company) is a company limited by shares and guarantee, incorporated and domiciled in Australia. The Company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements 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.

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

The financial statements were authorised for issue by the directors on 29 August 2017.

(a) Basis of preparation

The financial statements, except for the cash flows, have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which a fair value basis of accounting has been applied.

(b) Accounting judgements & estimates

The preparation of financial statements in accordance with Accounting Standards requires the exercise of judgement in the selection and application of accounting policies, as well as certain estimates and assumptions that affect amounts reported in the financial statements.

Areas of the financial statements involving a higher degree of judgement or complexity, or areas where reliance on estimates or assumptions are significant include:
• impairment losses on loans and advances (refer to note 10);
• ability to realise deferred tax asset balances (refer to note 20); and
• land and building and investment property valuation assumptions (refer to note 12, 13 and 28).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparing the financial statements are reasonable. Actual results in the future may differ from those reported.

(c) Comparative figures

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

Notes to the Financial Statements

For the Year Ended 30 June 2017

1 Statement of significant accounting policies (continued)

(d) Revenue

Interest revenue

Interest income for all interest earning assets including those at fair value is recognised in profit or loss using the effective interest rate method.

Non Accrual Loan Interest – while still legally recoverable, interest is not brought to account as income where the Company becomes aware that the loan is impaired. A loan is classified as impaired where recovery of the debt is considered unlikely as determined by the Board. Australian Prudential Regulation Authority (APRA) has made it mandatory that interest is not recognised as revenue after the irregularity exceeds 90 days for a loan facility, except where lenders' mortgage insurance has been obtained.

Fees and Commission Income

Loan establishment fees, discounts and other fees that are deemed to be an integral part of the effective interest rate are initially deferred as part of the loan balance, and are brought to account as income over the expected life of the loan or other relevant period. The amounts brought to account are included as part of interest revenue. Transaction costs are expenses which are direct and incremental to the establishment of the loan. These costs are initially deferred as part of the loan balance, and are brought to account as a reduction to income over the expected life of the loan. The amounts brought to account are included as part of interest revenue. An analysis of the Company's loan origination fees and associated cost structure indicated that the net amount of fee revenue required to be deferred is not material, and accordingly no deduction from loans has been made.

Other fees and commissions are generally recognised on an accrual basis over the period during which the service is provided.

(e) Loans and advances

Recognition and measurement

All loans are initially recognised at fair value, net of loan origination fees and inclusive of transaction costs incurred. Loans are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in profit or loss over the period of the loans using the effective interest method.

Loans to members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Company at balance date, less any allowance or provision against impairment for debts considered doubtful. A loan is classified as impaired where recovery of the debt is considered unlikely as determined by the board of directors.

Interest earned

Term loans - interest is calculated on the basis of the daily balance outstanding and is charged in arrears to a members account on the last day of each month.

Overdraft – interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to a members account on the last day of each month.

Credit cards – the interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to a members account on the last day of each month, on cash advances and purchases in excess of the payment due date.

Loan Impairment

Specific provision

Losses for impaired loans are recognised when there is objective evidence that the impairment of a loan has occurred. Impairment losses are calculated on individual loans in arrears. The amount provided for impaired loans is determined by management and the Board to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement.

Notes to the Financial Statements

For the Year Ended 30 June 2017

1 Statement of significant accounting policies (continued)

(e) Loans and advances (continued)

Collective provision

APRA Prudential Standards require a minimum provision to be maintained, based on specific percentages of the loan balance which are contingent upon the length of time the repayments are in arrears.

Credit asset impairment reserve

In addition to the above specific provision and collective provision, the Board has recognised the need to make an allocation from retained earnings to ensure there is adequate protection for members against the prospect that some borrowers will experience loan repayment difficulties. The reserve is based on estimation of potential risk in the loan portfolio based upon the level of security taken as collateral and the nature of the loan.

The credit asset impairment reserve is not eligible for recognition as a provision to be offset against the gross balance of loans. The provision for general credit risk in the loan portfolio is recognised as the credit asset impairment reserve.

Bad debts written off

Bad debts are written off from time to time as determined by management and the Board when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impairment if a provision had previously been recognised in respect to the loan. If no provision had been recognised, the write offs are recognised as expenses in the profit or loss.

Renegotiated loans

Loans which are subject to renegotiated terms which would have otherwise been impaired do not have the repayment arrears diminished and interest continues to accrue to income. Each renegotiated loan is retained at the full arrears position until the normal repayments are reinstated and brought up to date and maintained for a period of 6 months.

(f) Placement with other financial institutions

Term deposits, bank bills and negotiable certificates of deposit are unsecured and have a carrying amount equal to their purchase price. Interest is paid on the daily balance at maturity. All deposits are in Australian currency.

The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in other receivables in the statement of financial position.

(g) Property, plant & equipment

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

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on valuations by external valuers at frequencies not exceeding three years, less subsequent depreciation for buildings. The fair value is assessed on an annual basis by the Directors.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant & equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

Notes to the Financial Statements

For the Year Ended 30 June 2017

1 Statement of significant accounting policies (continued)

(g) Property, plant & equipment (continued)

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The estimated useful lives used for each class of depreciable assets are:

Buildings	40 years
Plant and equipment	4 to 15 years
Leasehold improvements	Term of the lease

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

(h) Investment property

Investment properties are held to earn rentals and/or capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(i) Intangible assets

Items of computer software which are not integral to the computer hardware owned by the Company are classified as intangible assets. Computer software held as intangible assets is amortised over the expected useful life of the software, generally 3 years.

(j) 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 profit or loss.

(k) Cash

For the purposes of the statement of cash flows, cash includes cash on hand and deposits held at call with banks net of bank overdrafts. Where bank overdrafts are held, they are shown within short term borrowings in current liabilities on the statement of financial position.

(l) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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.

Notes to the Financial Statements

For the Year Ended 30 June 2017

1 Statement of significant accounting policies (continued)

(l) Income tax (continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the profit or loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(m) Good and services tax

As a financial institution the Company is input taxed on all income, except for income from commissions, rents and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition, certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable.

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 balance sheet 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.

(n) Deposits from members and financial institutions

Members' savings and term investments are measured at amortised cost, generally being the nominal balance outstanding to the credit of the depositor at balance date.

Interest on deposits is calculated on the daily balance and posted to the account periodically, or on maturity of the term deposit. Interest on deposits is brought to account on an accrual basis in accordance with the interest rate terms and conditions of each savings and term deposit account as varied from time to time. The amount of the accrual is shown as part of amounts payable.

(o) Employee benefits

Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs such as workers compensation insurance and payroll tax. Annual leave expected to be taken after 12 months is discounted back to present value.

A provision is recognised for the amount to be paid under short-term cash bonus or profit-sharing plans if the Company has a present or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Notes to the Financial Statements

For the Year Ended 30 June 2017

1 Statement of significant accounting policies (continued)

(o) Employee benefits (continued)

Long service leave

The Company's obligation in respect of long service leave is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates and is discounted using the rates attached to high quality corporate bond rates at the balance date which have maturity dates approximating to the terms of the Company's obligations.

Superannuation plans

Contributions to the employee's superannuation funds are recognised as an expense as they are made.

(p) Operating leases

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

The Company as Lessor:

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the term of the lease.

The Company as Lessee:

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(q) Investments in jointly controlled associates

A jointly controlled entity is a corporation, partnership or other entity which each participant holds an interest and joint control, but neither unilaterally controls the entity. A jointly controlled entity operates in the same way as other entities, controlling the assets of the joint venture, earning its own income and incurring its own liabilities and expenses.

Interest in jointly controlled entities are accounted for using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the jointly controlled entity.

The Company's share of a jointly controlled entity's post-acquisition profits or losses is recognised in the profit or loss, and its share of post acquisition movements in reserves is recognised in the reserves.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions or dividends received from jointly controlled entities are recognised in the statement of financial position, reducing the carrying amount of the investment.

The reporting dates of the jointly controlled entities and the Company are identical and the jointly controlled entities accounting policies conform to those used by the Company.

1 Statement of significant accounting policies (continued)

(q) Investments in jointly controlled associates (continued)

Impairment

Goodwill relating to a jointly controlled entity is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Company determines whether it is necessary to recognise any additional impairment loss with respect to the Company's net investment in the jointly controlled entity.

The Company assesses at each balance date whether there is objective evidence that an investment is impaired.

(r) Classification and subsequent measurement of financial assets

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:
• loans and receivables
• financial assets at fair value through profit or loss (FVTPL)
• held-to-maturity (HTM) investments
• available-for-sale (AFS) financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss, are presented within finance costs, finance income or other financial items, except for impairment of loans and receivables which is presented within other expenses.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Financial assets at FVTPL
Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Notes to the Financial Statements

For the Year Ended 30 June 2017

1 Statement of significant accounting policies (continued)

(r) Classification and subsequent measurement of financial assets (continued)

HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Company has the intention and ability to hold them until maturity. The Company currently holds term deposits ('TD'), negotiable certificates of deposit ('NCD'), floating rate negotiable certificates of deposit ('FRNCD') and floating rate notes ('FRN') in this category. If more than an insignificant portion of these assets are sold or redeemed early then the asset class will be reclassified as available for sale financial assets.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

Available For Sale (AFS) financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

AFS financial assets are measured at fair value. Gains and losses on these assets are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss, and presented as reclassification adjustments within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income'.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

(s) Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include borrowings and trade and other payables. The subordinated debt arrangements are disclosed in note 19.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

(t) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either; in the principal market, or in the absence of a principal, in the most advantageous market.

Fair value is measured using the assumption that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

(t) Fair value measurement (continued)

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in the fair value of an assets or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(u) New standards applicable for the current year

There have been no material changes to accounting standards during the year applicable to the Company.

Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Changes in accounting policies

There have been no material changes to accounting standards during the year applicable to the Company.

Certain accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period. The Company's assessment of the impact of these new standards and interpretations is set out below. Changes that are not likely to materially impact the financial report of the Company have not been reported.

(a) New accounting standards not yet adopted

AASB 9 Financial Instruments - Replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, as well as the general hedge accounting requirements. Furthermore, AASB 9 introduces a new 'expected' credit loss model for calculating impairment on financial assets. This moves away from the current 'incurred' loss model required under AASB 139.
Under the expected credit loss model, the Company will be required to consider a broader range of information when assessing credit risk and measuring expected credit losses including past experience and historical losses for similar financial instruments.

The Company has conducted a high-level diagnostic on the impact of this standard.
This highlighted that the move to an expected credit loss model for impairment will impact the Company with more timely recognition of expected credit losses.
This is expected to impact the level of provision for impairment (at note 10) and the credit asset impairment reserve (note 21). APRA released guidance in July 2017 highlighting the prudential reporting approach with regard to AASB 9. The quantitative impact of the expected credit loss model has not yet been determined by the Company.
Based on the nature of the Company's financial assets, the classification and measurement of financial assets are not expected to have a material change. The Company does not conduct hedge accounting, so these changes are not applicable.
Management are developing an implementation project to quantify the impact of this standard during the 2018 financial year. To date, management have focused on analysing past history of credit losses to enable a starting point for this implementation project.

AASB 15 'Revenue from Contracts with Customers' establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces most of the existing standards and interpretations relating to revenue recognition including AASB 118 'Revenue'. The standard shifts the focus from the transaction level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to, while measurement encompasses estimation by the Company of the amount expected to be entitled to for performing under the contract.
It is effective for annual reporting periods commencing 1 January 2018, with early adoption permitted.
Based upon a preliminary assessment, the Standard is not expected to have a material impact upon the transactions and balances recognised when it is first adopted, as most of the Company's revenue arises from the provision of financial services which will be governed by AASB 9 *Financial Instruments* .
AASB 9 continues the effective interest rate method for financial instruments carried at amortised cost. This is the method currently required under AASB 139.

AASB 16 'Leases' - Replaces AASB 117 'Leases' and some lease related interpretations and is applicable for reporting periods beginning on or after 1 January 2019. AASB 16 requires all leases to be accounted for 'on-balance sheet' by lessees, other than short term and low value asset leases. It also provides new guidance on the application of the definition of lease and on sale and lease back accounting and requires new and different disclosures about leases.
Based on the Company's preliminary assessments, the likely impact on the transactions and balances recognised will be:

- an increase in property, plant and equipment and a corresponding increase in financial liabilities;
- the assets will be depreciated over the life of the leases; and
- lease payments will be split between interest and principal reduction, rather than being included in operating expenses.

Currently the Company leases a number of properties. The quantitative impact of this standard has not yet been determined by the Company.
Management are developing an implementation project to quantify the impact of this standard during the 2018 financial year.

Notes to the Financial Statements
For the Year Ended 30 June 2017

	2017 $	2016 $
3 Interest revenue and expense		
Interest revenue		
Financial assets at amortised cost		
Loans to members	26,402,760	27,004,764
Placements with other financial institutions	2,102,051	2,647,554
Cash (bank accounts and at call deposits)	770,351	1,187,521
	29,275,162	30,839,839
Interest expense		
Deposits	13,335,321	14,463,388
Subordinated debt	232,774	245,984
	13,568,095	14,709,372
Net interest income	15,707,067	16,130,467
4 Non interest income		
Fees & Commission		
Transaction fees	1,152,106	1,167,302
Loan fees (exc fees deemed to be integral to effective interest rate)	472,420	434,866
Insurance and other commission	453,957	380,547
Total fee and commission income	2,078,483	1,982,715
Other income		
Rental income	284,625	286,420
Gain on disposal of property, plant and equipment and investment properties	1,264,721	18
Bad debts recovered	12,444	11,314
Fair value adjustment on investment properties	464,906	-
Other revenue	92,236	39,196
Total other income	2,118,932	336,948
Total non interest income	4,197,415	2,319,663

Notes to the Financial Statements

For the Year Ended 30 June 2017

	2017 $	2016 $
5 Specific expenses		
Depreciation and amortisation		
Plant and equipment	445,263	494,785
Owner-occupied buildings	62,710	62,313
Leasehold improvements	37,746	57,902
Amortisation of capitalised software	220,923	185,976
	766,642	800,976
Impairment expenses		
Impairment expense for loans to members	50,801	(4,119)
Rental expense on operating leases		
Minimum lease payments	281,328	213,588
Non-lending losses		
Fraud from card transactions	4,461	15,798
APRA/ASIC		
Supervision and filing fees	59,500	45,521
Repairs to investment properties		
Repairs and maintenance expenses	10,069	8,770

	2017 $	2016 $
6 Income tax expense		
The components of tax expense comprise:		
Current tax payable	1,346,371	1,438,995
Originating and reversing temporary differences	57,936	(66,221)
Adjustments in relation to prior periods	-	-
	1,404,307	1,372,774
Reconciliation of income tax expense		
Prima facie tax payable on profit before income tax at 30% (2016 - 30%)	1,456,650	1,376,856
Tax effect of:		
- non-deductible expenses	4,151	2,055
- other timing differences	(56,494)	(6,137)
- adjustment in relation to prior periods	-	-
	1,404,307	1,372,774

Notes to the Financial Statements
For the Year Ended 30 June 2017

	2017 $	2016 $
7 Cash		
Cash on hand	1,353,794	1,218,300
Cash at bank	43,819,886	53,553,761
	45,173,680	54,772,061
8 Receivables		
Trade and other receivables	70,142	107,121
Accrued interest receivable	350,336	447,956
	420,478	555,077
9 Placements with other financial institutions		
Deposits with banks	9,288,222	17,271,475
Deposits with other financial institutions	13,245,350	21,981,598
Bank bills and negotiable certificates of deposit	54,731,100	38,891,002
	77,264,672	78,144,075

Credit quality

The Company uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposures, where applicable, using the credit quality assessment scale in APRA prudential guidance note AGN 112. The credit quality assessment scale within this guidance note has been complied with.

The exposure values associated with each credit rating level, based on Standard & Poor's ratings are as follows:

	2017 $	2016 $
Authorised Deposit-taking Institutions rated A-1	14,788,222	19,271,475
Authorised Deposit-taking Institutions rated A-2	43,260,441	41,872,846
Authorised Deposit-taking Institutions rated A-3 & below	8,966,009	3,999,754
Authorised Deposit-taking Institutions unrated	10,250,000	13,000,000
	77,264,672	78,144,075
10 Loans to members		
Overdrafts and revolving credit facilities	6,684,915	5,506,917
Personal loans	10,184,318	10,737,739
Commercial loans	21,975,896	17,113,801
Residential loans	591,560,187	549,484,524
	630,405,316	582,842,981
Provision for impairment	(44,923)	(41,813)
	630,360,393	582,801,168

Notes to the Financial Statements
For the Year Ended 30 June 2017

10 Loans to members (continued)

(a) Concentration of risk

	2017 $	2016 $
Exposure to groupings of individual loans which concentrate risk within particular geographical segments are as follows:		
- Tasmania	617,829,166	573,709,834
- Other Australian states	12,576,150	9,133,147
	630,405,316	582,842,981

The Company does not have any significant exposure to any particular industry sectors or other groupings of clients, other than the loans that are predominantly for residential housing purposes.
The loans above do not include any loans to individual clients representing 10% or more of total loan assets.

(b) Security held against loans and advances

	2017 $	2016 $
Secured by mortgage over residential property	594,163,328	552,063,846
Secured by mortgage over commercial property	21,975,896	17,113,801
Total loans and advances secured by real estate	616,139,224	569,177,646
Secured by funds	-	-
Partly secured by goods mortgage	2,627,609	2,639,281
Wholly unsecured	11,638,483	11,026,054
	630,405,316	582,842,981

(c) Credit quality of loans

A majority of the portfolio of the loan book is secured by residential property in Tasmania. Therefore the Company is exposed to risks should the property market be subject to a decline. The risk of losses from loans is primarily reduced by the nature and quality of the security obtained.

It is not practical to value all collateral as at balance date due to the variety of assets and their nature and condition. A breakdown of the quality of the residential mortgage security on a portfolio basis is as follows:

	2017 $	2016 $
LVR less than 80%	386,234,615	352,352,516
LVR more than 80% but mortgage insured	192,062,300	182,590,825
LVR more than 80% and not mortgage insured	15,866,414	17,120,505
	594,163,328	552,063,846

(d) Provision for impairment

	2017 $	2016 $
Collective provision	44,923	41,813
Specific provision	-	-
	44,923	41,813

(e) Provision for impairment - collective provision

	2017 $	2016 $
Opening balance	41,813	119,662
Impaired loans previously provided for written off during the year	(67)	(11,759)
Impaired loans (reduced)/provided for during the year	3,177	(66,090)
Closing balance	44,923	41,813

(f) Impairment expense

	2017 $	2016 $
Impaired loans (reduced)/provided for during the year	3,177	(66,090)
Bad debts recognised directly as an expense	47,624	61,971
	50,801	(4,119)

(g) Assets acquired through enforcement of security

	2017 $	2016 $
Real estate	1,220,000	577,500
Motor vehicles	-	18,900
	1,220,000	596,400

Notes to the Financial Statements
For the Year Ended 30 June 2017

10 Loans to members (continued)

(h) Past due and impaired loans
Past due loans are those where repayments by the borrower have not been maintained in accordance with the loan agreement. Past due loans are not considered impaired where they are well secured, generally over residential property, or where lenders mortgage insurance has been obtained, and as a result, it is expected that the Company will not suffer any loss in the event of continuing default by the borrower.

	Less than 3 months past due $	3 - 6 months past due $	6 - 12 months past due $	More than 12 months past due $	Gross loan balance $	Impairment provision $	Net carrying value $
2017							
Impaired Loans							
Personal loans	-	-	-	-	-	-	-
Housing loans	-	-	-	-	-	-	-
Commercial loans	-	102,177	-	-	102,177	(40,710)	61,467
Overdrafts & credit cards	-	-	-	-	-	-	-
Overdrawn savings accounts	8,798	-	-	-	8,798	(4,213)	4,585
	8,798	102,177	-	-	110,975	(44,923)	66,052
Past due not impaired							
Personal loans	-	-	-	-	-	-	-
Overdrafts & credit cards	6,462	-	-	-	6,462	-	6,462
Commercial loans	-	-	-	-	-	-	-
Residential loans	811,304	310,428	-	603,973	1,725,705	-	1,725,705
	817,766	310,428	-	603,973	1,732,167	-	1,732,167
Total past due & impaired loans	826,564	412,605	-	603,973	1,843,142	(44,923)	1,798,219

	Less than 3 months past due $	3 - 6 months past due $	6 - 12 months past due $	More than 12 months past due $	Gross loan balance $	Impairment provision $	Net carrying value $
2016							
Impaired Loans							
Personal loans	-	19,880	-	12,318	32,198	(20,271)	11,927
Housing loans	-	131,267	-	-	131,267	(16,563)	114,704
Commercial loans	-	-	-	-	-	-	-
Overdrafts & credit cards	8,108	109	1,654	-	9,871	(4,979)	4,892
Overdrawn savings accounts	-	-	-	-	-	-	-
	8,108	151,256	1,654	12,318	173,336	(41,813)	131,523
Past due not impaired							
Personal loans	9,812	-	-	25,777	35,589	-	35,589
Overdrafts & credit cards	19,726	-	-	-	19,726	-	19,726
Commercial loans	-	-	-	-	-	-	-
Residential loans	1,177,245	-	295,247		1,472,492	-	1,472,492
	1,206,783	-	295,247	25,777	1,527,807	-	1,527,807
Total past due & impaired loans	1,214,891	151,256	296,901	38,095	1,701,143	(41,813)	1,659,330

Notes to the Financial Statements

For the Year Ended 30 June 2017

11 Investments

	2017 $	2016 $
Total Investments		
Investments in jointly controlled entities	-	10,000
Available for sale investments	96,146	96,146
	96,146	106,146
Investments in jointly controlled entities		
Investment in B&Z JV Pty Limited	-	10,000
B&E Limited holds the following percentage share investment in the jointly controlled entity:		
- B&Z JV Pty Limited	0%	50%
B&Z JV Pty Limited		
Share of profit/(losses)		
Operating profit/(loss) before income tax	-	-
Income tax attributable	-	-
Share of profit/(loss) after income tax	-	-
Carrying value of investment		
Balance at the beginning of the financial year	10,000	10,000
Contribution paid	-	-
Distribution received	-	-
Share of net profit/(loss) for the financial year	-	-
Disposal of investment	(10,000)	-
Carrying value of investment at balance date	-	10,000

B&E Ltd ('B&E') entered into a share sale agreement with Frontier Wealth Management Pty Ltd ('Frontier') for the sale of 100% of B&E's ownership interest in B&Z JV Pty Ltd ('B&Z') as at 5th May 2016. As at 22nd July 2016 the terms of the share sale agreement were met and accordingly B&E relinquished its ownership interest in B&Z. The gain on sale ($90,039) is recognised in note 4 within 'Other revenue'.

	2017 $	2016 $
Available for sale investments		
Shares in unlisted companies - at cost		
- Australian Settlements Limited	96,146	96,146
Shares in Australian Settlements Limited		
The Company owns ordinary non-voting shares, ordinary shares and System Participation shares in Australian Settlements Limited which provide settlement services to the Company.		
Shares at cost	96,146	96,146
Provision for impairment	-	-
	96,146	96,146

The shareholding in Australian Settlements Limited ('ASL') is measured at its cost value in the statement of financial position. ASL provides efficient settlement and transaction processing services to its members which are all mutual financial institutions. The Company holds shares in ASL to enable the Company to receive essential banking services. To receive these services certain requirements must be met including the following:
- Pay the required Mandated Prudential Funds (pre funding) to ASL as approved by APRA and the Reserve Bank ('RBA');
- Hold a shareholder / system participant share; and
- Agree to volunteer excess funds (agreed amount in excess of the prudential reserve) to cover daily RTGS payments.

The shares are able to be traded but within a market limited to other mutual financial institutions. The volume of shares traded in ASL is low.

The financial reports of ASL record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of ASL any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of a ready market, a market value is not able to be determined readily. The net dividend return in 2017 was Nil. Management has determined that the cost value of $1.00 per share is a reasonable approximation of fair value based on the likely value available on a sale. The Company is not intending to dispose of these shares.

Notes to the Financial Statements
For the Year Ended 30 June 2017

12 Property, Plant and equipment

	2017 $	2016 $
Land and buildings		
Freehold land		
At fair value	2,400,000	2,820,581
Total freehold land	2,400,000	2,820,581
Buildings		
At fair value	1,854,975	2,386,565
Accumulated depreciation	(11,051)	(120,423)
Total buildings	1,843,924	2,266,142
Total Land and buildings	4,243,924	5,086,723
Plant and equipment		
Plant and equipment		
At cost	4,245,249	4,227,503
Accumulated depreciation	(2,917,197)	(2,616,087)
Total plant and equipment	1,328,052	1,611,416
Leasehold improvements		
At cost	608,544	567,926
Accumulated amortisation	(330,704)	(292,958)
Total leasehold improvements	277,840	274,968
Capital works in progress		
At cost	507,036	188,024
Total property, plant and equipment	6,356,852	7,161,131

(a) Valuations of land and buildings

Properties are independently valued at frequencies not exceeding three years. Opteon Property Group was engaged to conduct an independent valuation of the Company's properties as at 30 June 2017. The valuations were performed by:

Richard Edwards A.A.P.I., B.Com. (L. Economy)., CPV

Gavin Lipplegoes A.A.P.I., Dip (Prop), B.Bus (Acc) FFin, CPV

The basis of the valuation of land and buildings is fair value, being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. In estimating the fair value of properties, the highest and best use of the properties is their current use.

Refer to note 28 for further information on fair value measurement.

Notes to the Financial Statements
For the Year Ended 30 June 2017

12 Property, plant and equipment (continued)

(b) Movements in carrying amounts

	Land $	Buildings $	Leasehold imp. $	Plant & Equipment $	Work in progress $	Total $
Current year						
Carrying amount at beginning of year	2,820,581	2,266,142	274,968	1,611,416	188,024	7,161,131
Additions	-			4,132	740,850	744,982
Transfers between property, plant & equipment	-	94,300	40,618	211,571	(346,489)	-
Transfers from/(to) investment property	95,000	95,000	-	-	(5,482)	184,518
Transfers to intangibles	-	-	-	-	(69,867)	(69,867)
Revaluation increment/(decrement)	905,000	751,128	-	-	-	1,656,128
Disposals	(1,420,581)	(1,299,936)	-	(53,804)		(2,774,321)
Depreciation and amortisation expense	-	(62,710)	(37,746)	(445,263)	-	(545,719)
Carrying amount at end of year	2,400,000	1,843,924	277,840	1,328,052	507,036	6,356,852

	Land $	Buildings $	Leasehold imp. $	Plant & Equipment $	Work in progress $	Total $
Prior year						
Carrying amount at beginning of year	2,820,581	2,328,455	332,870	1,756,623	520,000	7,758,529
Additions	-	-	-	177,877	448,977	626,854
Transfers between property, plant & equipment	-	-	-	191,099	(191,099)	-
Transfers to intangibles	-	-	-	-	(589,854)	(589,854)
Disposals	-	-	-	(19,398)		(19,398)
Depreciation and amortisation expense	-	(62,313)	(57,902)	(494,785)	-	(615,000)
Carrying amount at end of year	2,820,581	2,266,142	274,968	1,611,416	188,024	7,161,131

Notes to the Financial Statements
For the Year Ended 30 June 2017

	2017 $	2016 $

13 Investment property

	2017 $	2016 $
At fair value		
Balance at beginning of year	3,060,095	3,060,095
Transfers to property, plant & equipment	(184,518)	-
Revaluation increment	464,906	-
Disposals	(395,482)	-
Balance at end of year	2,945,001	3,060,095

The fair value model is applied to all investment property. Investment properties are revalued by the Directors annually and adjustments recorded where material. Values are based on an active liquid market and formal valuations are received by a registered independent valuer at least triennially. Details of the most recent independent valuations are contained in note 12.

The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties in the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investments. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

Refer to note 28 for further information on fair value measurement.

14 Intangible assets

	2017 $	2016 $
Computer software		
At cost	1,759,070	1,689,203
Accumulated amortisation	(1,418,932)	(1,198,009)
	340,138	491,194

	2017 $	2016 $
Movement in carrying amount		
Balance at beginning of year	491,194	79,758
Additions	-	7,558
Transfer from work in progress (in property, plant & equipment)	69,867	589,854
Amortisation expense	(220,923)	(185,976)
Carrying amount at end of the year	340,138	491,194

Notes to the Financial Statements
For the Year Ended 30 June 2017

	2017 $	2016 $
15 Deposits from other financial institutions		
Term deposits	34,650,000	45,150,000
Non-interest bearing term deposits	95,000	95,000
	34,745,000	45,245,000
16 Deposits from members		
Call deposits	235,159,518	222,688,893
Term deposits	414,579,421	387,162,966
	649,738,939	609,851,859
Concentration of deposits		
Tasmanian residents	623,888,836	591,704,771
Other	25,850,103	18,147,088
	649,738,939	609,851,859

The deposits above do not include any deposits from individual clients representing 10% or more of total liabilities.

	2017 $	2016 $
17 Trade and other payables		
Creditors and other liabilities	1,930,863	1,240,708
Accrued interest - deposits	4,254,123	3,537,870
	6,184,986	4,778,578
18 Employee benefits		
Accrued employee entitlements	225,933	293,366
Annual leave	471,055	449,161
Long service leave	353,915	409,253
	1,050,903	1,151,780

Included in employee benefits is a non-current amount of $253,239 (2016: $248,413) relating to long service leave.

	2017 $	2016 $
19 Long term borrowings		
Subordinated debt:		
Balance at the beginning of the year	3,000,000	3,000,000
	3,000,000	3,000,000

B&E Ltd entered into an agreement to issue subordinated debt in November 2012, which was approved by the Directors.

The debt instrument has a maturity date of 10 years but may be redeemed earlier subject to approval by APRA. On the 27th June 2017 B&E requested approval from APRA for the redemption of the Lower Tier 2 capital instrument and consequential capital reduction. Approval from APRA was received on the 18th July 2017. The redemption of the subordinated debt is in accordance with the conditions set out in the terms of the instrument and will be effective 29th December 2017.

Notes to the Financial Statements
For the Year Ended 30 June 2017

	2017 $	2016 $
20 Tax		
(a) Liabilities		
Current years tax payable	244,512	223,090
Current year tax payable comprises:		
Opening balance	223,090	218,915
Less payments made in current year	(1,324,948)	(1,434,820)
Liability for income tax in current year	1,346,370	1,438,995
	244,512	223,090
Deferred tax liability comprises:		
Broker commissions - TOFA	-	3,972
Property, plant & equipment	415,996	-
	415,996	3,972
(b) Asset		
Deferred tax assets comprise:		
Provision for impairment	13,477	12,544
Accrued expenses not deductible until paid	94,235	102,154
Property, plant and equipment	-	116,686
Employee entitlements provisions	247,491	257,524
Capital losses carried forward	-	56,494
Broker commissions - TOFA	47,447	-
	402,650	545,402

21 Reserves

(a) Asset revaluation reserve

The asset revaluation reserve records revaluations of land and buildings.

(b) General reserve

The general reserve records funds set aside for future expansion of the Company.

(c) Credit asset impairment reserve

This reserve records amounts in accordance with note 1(e).

Notes to the Financial Statements
For the Year Ended 30 June 2017

22 Cash flow information

(a) Operating cash flows reconciliation

Net profit after income tax is reconciled to net cash flows from operations as follows:

	2017 $	2016 $
Net profit	3,451,193	3,216,745
Non-cash flows in profit from ordinary activities		
Depreciation and amortisation of property, plant & equipment	545,719	615,000
Amortisation of intangibles	220,923	185,976
Gain on disposal of property, plant & equipment and investment properties	(1,264,721)	(18)
Impairment expense	50,801	(4,119)
Revaluation increment	(464,906)	-
Changes in assets and liabilities		
Trade and other receivables	134,599	(619)
Prepayments	(12,879)	(68,728)
Deferred tax	57,938	(66,222)
Employee benefits	(100,877)	(218,994)
Trade and other payables	492,672	706,890
Accrued interest - deposits	716,253	(605,567)
Current tax payable	21,422	4,176
	3,848,137	3,764,520
Net increase in loans and advances	(47,610,026)	(36,151,634)
Net movement in deposits from other financial institutions	(10,500,000)	622,272
Net movement in member deposits	40,084,563	19,296,326
Net cash flow from operating activities	(14,177,326)	(12,468,516)

(b) Credit standby arrangements

An overdraft facility of $1.5 million was available to the Company at the reporting date (2016: $1.5 million). As at that date none of the overdraft facility was in use (2016: nil).

23 Segment information

The company operates in predominantly one business and geographical segment, being the finance industry in Australia, primarily in the State of Tasmania.

24 Financial risk management

(a) Risk management objectives and policies

The Company's activities expose it to a variety of financial risks including; market and interest rate risk, credit risk, liquidity risk, capital and operational risk. B&E uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and ageing analysis for credit risk. The independent risk control process does not include business risk such as changes in the environment, technology and industry. The Company's policy is to monitor those business risks through the Company's strategic planning process.

The Company manages these risks on a daily basis through the operational responsibilities of Executives and Senior Management. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Committee, which is responsible for developing and monitoring risk management policies. The Committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherences to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Risk Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

(b) Capital management

Capital is the cornerstone of an Authorised Deposit-taking Institutions ('ADI') financial strength.
The primary role of capital is to:

- Maintain a cushion against loss to enable the Company to trade through difficult times.
- Absorb unanticipated losses from activities.
- Ensure safety of deposits thereby maintaining public confidence in the financial soundness and stability of the Company.

The Company is bound by the prudential standards as set by the prudential regulator, APRA. Under the standards governing capital, ADIs are required to hold capital equivalent to 8% of its risk weighted assets as measured under the relevant prudential standards. The Board has established a target capital ratio with a preferred range of 14% - 18%.

The Company has to date sourced capital from profits generated from the business, general reserves, asset revaluation reserves, general reserve for credit losses and subordinated debt. In an organic environment, the Company will endeavour to manage its capital ratio via normal operating conditions. Those will include initiatives such as:

- Improving the Company's profitability;
- Managing the Company's asset portfolio to ensure that the Company is not over exposed in higher risk weighted assets;
- Prudent management of the Company's interest rates to ensure products are priced adequately to reflect the various levels of risk associated with the product.

Notes to the Financial Statements

For the Year Ended 30 June 2017

24 Financial risk management (continued)

(b) Capital management (continued)

- Ensure that the Company is adequately protected from market risk;
- Ensure that other risks facing the Company are effectively monitored and managed; and
- Managing the rate of growth.

The Company prepares an annual budget together with a five year financial plan. The plan includes planned growth, projected projects and financial projections for the next five years and predicts capital adequacy for each of these periods.

The annual budget contains financial forecasts which provide management and the Board with an indication of the financial estimates for the coming 12 months of the Company's strategies and operations. Included in the financial report is a forecast of the Company's capital adequacy ratio. Management review the budgeted profit levels to ensure the Company receives a return on assets which keeps capital adequacy above internal limits.

On a monthly basis, management review actual accounting results against budgeted results. Management will also review the capital adequacy ratio on a monthly basis. Such results are provided to the Board each month.

For capital adequacy purposes, Authorised Deposit-taking Institutions must hold a minimum amount of Tier 1 capital. In addition they may include an amount of Tier 2 capital as part of their required capital holdings, up to the limits specified in the Prudential Standard (APS 110 Capital Adequacy).

The Prudential Standard sets out the essential characteristics that an instrument must have to qualify as Tier 1 or Tier 2 capital for inclusion in the capital base for assessing Level 1 and Level 2 capital adequacy.

Tier 1 Capital

The Majority of Tier 1 capital comprises:
- Retained profits
- General reserve
- Asset revaluation reserves on property

Deductions from Tier 1 capital are made for intangible assets, certain capitalised expenses, deferred tax assets and equity investments in other Authorised Deposit-taking Institutions (ADI's).

Tier 2 Capital

Tier 2 capital consists of capital instruments that combine the features of debt and equity in that they are structured as debt instruments, but exhibit some of the loss absorption and funding flexibility feature of equity, together with other components of equity. There are a number of criteria that capital instruments must meet for inclusion in Tier 2 capital resource as set down by APRA.
Tier 2 capital mainly comprises:
- Subordinated debt
- Credit asset impairment reserve

For capital adequacy purposes, the capital base is defined as the sum of Tier 1 and Tier 2 capital after all specified deductions and adjustments, subject to various limits that apply.

During the past year the Company has complied in full with all its externally imposed capital requirements. The relevant amounts at 30 June, were:

Notes to the Financial Statements
For the Year Ended 30 June 2017

24 Financial risk management (continued)
Capital adequacy ratio calculation

	2017 $	2016 $
Tier 1 capital		
Common equity tier 1 capital		
Retained earnings	3,451,193	3,216,745
General reserve	60,893,424	56,384,779
Asset revaluation reserve	2,545,350	2,875,515
	66,889,967	62,477,039
Less prescribed deductions	(422,938)	(1,534,915)
Net tier 1 capital	66,467,029	60,942,124
Tier 2 capital		
Credit asset impairment reserve	1,333,136	1,135,581
Subordinated debt	1,500,000	1,800,000
	2,833,136	2,935,581
Less prescribed deductions	-	-
Net tier 2 capital	2,833,136	2,935,581
Total capital	69,300,165	63,877,705

The capital ratio as at the end of the financial year and over the past 5 years is as follows:

2017	2016	2015	2014	2013
19.05%	18.66%	19.06%	18.60%	18.09%

The level of capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets.

To manage the capital ratio, the Company reviews the ratio monthly and monitors major movements in the asset levels. The capital ratio is also reported to the Board on a monthly basis for their review.

(c) Market risk

Market risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company is primarily exposed to market risk arising from changes in market interest rate due to mismatches between repricing terms of financial assets and liabilities. The Company predominantly maintains an 'on book' strategy by ensuring the net difference between asset and liability maturities are not excessive. Financial instruments held by the Company do not give rise to any material direct exposure to currency or equity price risk.

Value at risk model

The Company monitors its interest rate risk exposure by the use of the value at risk model (VaR). VaR is a simulation model used to assess changes in the market value of financial instruments based on historical data from the past six years. It should be noted that because the VaR is driven by actual historical observations, it is not an estimate of the maximum loss that the Company could experience from an extreme market event. As a result of this limitation, the Company utilises a number of other risk measures (e.g. stress testing) and risk sensitivity limits to measure and manage interest rate risk.

24 Financial risk management (continued)

(c) Market risk (continued)

VaR is a widely used statistical risk measure. It is defined as the minimum economic loss expected to be incurred on current holdings over a given holding period with a certain confidence interval due to changes in market conditions. It indicates the ability of a business to absorb future loss and is typically represented as a percentage of capital.

The VaR that the Company measures is an estimate, using a confidence level of 99%, of the potential loss that is not expected to be exceeded if the current market risk positions were to be held unchanged for one day. The use of the 99% confidence level means that, within a one-day horizon, losses exceeding the VaR figure should occur, on average under normal market conditions, not more than once every hundred days.

VaR is an integral part of the Company's interest rate risk management and is monitored on a monthly basis with results assessed against board approved limits. The following table shows the VaR for B&E over different holding periods at a 99% confidence level.

2017

Holding Period	VaR at 99% confidence level	99% as a Proportion of Capital
1 Day	(112,813)	-0.16%
10 Days	(356,745)	-0.50%
20 Days	(504,514)	-0.71%
1 Year	(1,747,687)	-2.47%

2016

Holding Period	VaR at 99% confidence level	99% as a Proportion of Capital
1 Day	(121,686)	-0.19%
10 Days	(384,806)	-0.60%
20 Days	(544,198)	-0.85%
1 Year	(1,885,158)	-2.95%

Using the above parameters, at 30 June 2017 the VaR was 0.16% (30 June 2016: 0.19%) of capital. The Company's risk appetite statement states that as a percentage of capital the Company's preferred VaR is <2%.

Interest rate exposure

The Company’s policy is to manage its finance costs using a mix of fixed and variable rate debt. Management periodically reviews its interest rate exposure and consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

The interest rate risk is managed by:
- Continuously monitoring the 'gap' between yield on loans and investments and the cost of funds;
- Projecting the interest spread forward to future periods; and
- Amending interest rates on loans and/or deposits to ensure that an appropriate spread is maintained.

The Board has approved a policy to use interest rate swaps in order to hedge exposures should the need arise.

Notes to the Financial Statements

For the Year Ended 30 June 2017

24 Financial risk management (continued)

(d) Credit risk

Credit risk is the risk of financial loss to the Company if a borrower, customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivable from customers and investment securities.

The Company has established a risk management framework that is consistent with the Company's strategic objectives and business plan. It has been developed to assist the Company to identify, analyse and manage credit risk within the organisation. The risk management framework provides information that appropriately supports decision-making and oversight at each level of the credit risk assessment. The risk management framework also ensures that there is compliance with the credit risk policy and the Board's stated appetite for risk.

The Board approved risk appetite statement sets out the level of risk tolerance the business is willing to take across its operations including credit risk. The Company also operates within a Board approved risk management strategy that describes the key elements of the risk management framework that give effect to the Company's approach to managing risk.

The Company's risk appetite statement is expressed in the form of high-level qualitative statements that clearly captures the attitude and level of acceptance of credit risk. In setting the Company's risk appetite the Board takes into consideration a number of factors including:

- Strategic goals;
- Business plan;
- Risk profile relating to loan mix, loan concentration both geographic and large exposures, liquidity, delinquency, available capital and other factors;
- The regulatory environment;
- Quantitative data; and
- Other material factors available to assist in decision making.

The Board's objective in setting the credit risk appetite is to reduce risk to as low as reasonably practicable to achieve the desired strategic goals. The Board's risk appetite is incorporated in the Risk Appetite Statement and reflected in the Credit Risk Policy and the procedures and controls implemented to support the policy in each business unit.

The Company's credit risk management practices are organised into three distinct lines of risk ownership, risk review and oversight and independent assurance. This ensures a segregation of duties between (first line) units that enter into business transactions with customers or otherwise who expose the Company to risk, (second line) units in charge of risk oversight and control and (third line) the internal audit function.

Credit risk - loans

The method of managing credit risk is by way of strict adherence to the credit assessment policies before the loan is approved and close monitoring of defaults in the repayment of loans thereafter on a weekly basis. The credit policy has been endorsed by the Board to ensure that loans are only made to clients that are creditworthy (capable of meeting loan repayments).

The Company has established policies over the:-

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- Limits of acceptable exposure over the value to individual borrowers, non mortgage secured loans, commercial lending and concentrations to geographic and industry groups considered at high risk of default;
- Reassessing and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures; and
- Review of compliance with the above policies.

Notes to the Financial Statements
For the Year Ended 30 June 2017

24 Financial risk management (continued)
(d) Credit risk (continued)

During the financial year the Company entered into a commitment deed with SocietyOne, a peer to peer lender of personal loans. The commitment deed states that B&E have committed to provide $2.5m in loan funds to be called in $250,000 parcels as required. As at 30 June 2017, $250,000 had been provided to SocietyOne to issue as personal loans. As at 30 June 2017 none of the funds had been allocated as personal loans and funds remain as a cash balance with SocietyOne earning interest at 1%. Funds held with SocietyOne have been recognised as an investment and disclosed in note 9.
The commitment deed outlines the risk profile of loans the Company has determined as acceptable and within the Company's risk appetite.

Impairment assessment

The main considerations for loan impairment assessment are as follows:
a) whether any payments of principal or interest are overdue;
b) whether there are any known difficulties in the cash flow of counterparties; or
c) whether there are any infringements of the original terms of the contract.

The Company addresses impairment assessments in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Company determines the allowances appropriate for each individually significant loan or advance on an individual basis, taking into account any overdue payments of interest, credit rating downgrades, or infringement of the original terms of the contract. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances and for held-to-maturity debt investments that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans and advances that have been assessed individually and found not to be impaired.

Refer note 10 for additional disclosure regarding the aging of impaired loans and advances to members.

Credit Risk - Liquid investments

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investee and the limits to concentration on one entity. The Board policy is to maintain counterparty limits with A1+, A1 and A2 rated institutions to maximum of 50% of capital and other A3 or unrated institutions to a maximum of 25% of capital.
Refer to note 9 with regards to credit quality of placements with other financial institutions.

Maximum exposure to credit risk

The company's maximum exposure to credit risk, including both on balance sheet and off-balance sheet exposure is:

	2017 $	2016 $
On-balance sheet exposure		
Loans and receivables (amortised cost)	630,405,316	582,842,981
Placements with other financial institutions	77,264,672	78,144,075
Trade and other receivables	420,478	555,077
	708,090,466	661,542,133
Off-balance sheet exposures		
Loans approved not yet funded	33,069,254	28,877,882
Undrawn overdraft and revolving credit limits	1,732,200	1,846,197
Undrawn credit card limits	5,092,558	4,805,518
Redraw facilities on term loans	40,077,468	37,270,287
Undrawn line of credit	1,754,561	1,633,085
Funding commitment - SocietyOne	2,250,000	-
	83,976,041	74,432,969
Maximum exposure to credit risk	792,066,507	735,975,102

Information on the credit quality and collateral obtained in relation to these credit exposures is detailed in notes 9 & 10.

Notes to the Financial Statements

For the Year Ended 30 June 2017

24 Financial risk management (continued)

(e) Operational Risk

Operational risk is the risk of loss arising from systems failure, human errors, fraud or external event. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company manages these risks on a daily basis through the operational responsibilities of Executives and Senior Management functioning under policies approved by the Board after recommendations from the Risk Committee covering specific areas such as risk, fraud risk and business continuity risk.

(f) 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's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by:
- continuously monitoring actual daily cash flows and longer term forecast cash flows;
- monitoring the maturity profiles for financial assets and liabilities; and
- maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities.

The Company is required to maintain at least 9% of total adjusted liabilities as liquid assets (Minimum Liquidity Holdings 'MLH') capable of being converted to cash within 48 hours under the APRA prudential standard 'APS 210 Liquidity'. In order to ensure compliance with the requirements of APS 210 the Company became a non-transaction RITS (Reserve Bank Information and Transfer System) member with the RBA. RITS is Australia's high-value payment system which is used by authorised deposit taking institutions (ADI's) to settle payment obligations on a real time gross settlement basis. This membership also enables the Company to enter into a repurchase (or repo) agreement with the RBA. A repo agreement is the purchase or sale of securities with an agreement to sell or buy back the securities at an agreed date and price in the future. This facility therefore ensures that the Company has the ability to liquidate MLH assets within 48 hours as required by APS 210.

The Company's policy is to apply a minimum of 12% of funds as MLH assets to maintain adequate funds for meeting client withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level Management and Board are to address the matter and ensure that additional MLH funds are obtained from new deposits and available borrowing facilities.

In accordance with the Company's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Company.

The liquidity ratio at 30 June 2017 was 16.10% (2016: 18.63%). The MLH ratio as at 30 June 2017 was 13.22% (2016: 13.47%).

Refer note 16 for details regarding concentration of deposits.

Maturity Analysis of Financial Instruments

This table details the Company's remaining contractual maturity for its non-derivative financial instruments. Contractual cash flows are based on the undiscounted total payment, including both principal and interest, on the earliest possible date on which the Company may be required to be paid.

Notes to the Financial Statements
For the Year Ended 30 June 2017

24 Financial risk management (continued)

(f) Liquidity risk (continued)

Maturity analysis of financial instruments

Monetary assets and liabilities have differing maturity profiles depending on the contractual term and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained, and is subject to change in the event that current repayment conditions are varied. Financial assets and liabilities are at the undiscounted values (including future interest expected to be earned or paid). Accordingly these values will not agree to the statement of financial position.

	Carrying amount $	Contractual cash flows $	Within 1 month $	1-3 months $	3-12 months $	1-5 years $	Later than 5 years $	No maturity $
2017								
Financial liabilities								
Call deposits	235,159,518	235,159,518	235,159,518	-	-	-	-	-
Term deposits	453,578,544	459,035,847	67,748,764	162,118,430	213,948,037	15,125,616	-	95,000
Trade and other payables	1,930,863	1,930,863	1,930,863	-	-	-	-	-
Long term borrowings	3,000,000	3,000,000	-	-	-	-	3,000,000	-
On balance sheet	693,668,925	699,126,228	304,839,145	162,118,430	213,948,037	15,125,616	3,000,000	95,000
Undrawn credit commitments	83,976,041	83,976,041	83,976,041	-	-	-	-	-
Total financial liabilities	777,644,966	783,102,269	388,815,186	162,118,430	213,948,037	15,125,616	3,000,000	95,000
Financial assets								
Cash	45,173,680	45,173,680	45,173,680	-	-	-	-	-
Trade and other receivables	70,142	70,142	70,142	-	-	-	-	-
Placements with other financial institutions	77,615,008	79,610,004	11,030,288	30,664,785	12,139,493	25,525,438	-	250,000
Loans and advances	630,360,393	975,524,517	4,128,983	8,238,967	36,802,098	187,058,279	739,296,190	-
Other investments	96,146	96,146	-	-	-	-	-	96,146
Total financial assets	753,315,369	1,100,474,489	60,403,093	38,903,752	48,941,591	212,583,717	739,296,190	346,146

Notes to the Financial Statements

For the Year Ended 30 June 2017

24 Financial risk management (continued)

(f) Liquidity risk (continued)

Maturity analysis of financial instruments (continued)

	Carrying amount $	Contractual cash flows $	Within 1 month $	1-3 months $	3-12 months $	1-5 years $	Later than 5 years $	No maturity $
2016								
Financial liabilities								
Call deposits	222,688,893	222,688,893	222,688,893	-	-	-	-	-
Term deposits	435,945,836	439,858,099	79,391,263	177,553,034	170,077,389	12,741,413	-	95,000
Trade and other payables	1,240,708	1,240,708	1,240,708	-	-	-	-	-
Long term borrowings	3,000,000	3,000,000	-	-	-	-	3,000,000	-
On balance sheet	662,875,437	666,787,700	303,320,864	177,553,034	170,077,389	12,741,413	3,000,000	95,000
Undrawn credit commitments	74,432,969	74,432,969	74,432,969	-	-	-	-	-
Total financial liabilities	737,308,406	741,220,669	377,753,833	177,553,034	170,077,389	12,741,413	3,000,000	95,000
Financial assets								
Cash	54,772,061	54,772,061	54,772,061	-	-	-	-	-
Trade and other receivables	107,121	107,121	107,121	-	-	-	-	-
Placements with other financial institutions	78,592,031	80,823,442	14,059,110	24,117,359	15,221,866	27,425,107	-	-
Loans and advances	582,801,168	917,711,378	3,916,678	7,804,658	38,794,891	176,617,278	690,577,873	-
Other investments	106,146	106,146	-	-	-	-	-	106,146
Total financial assets	716,378,527	1,053,520,148	72,854,970	31,922,017	54,016,757	204,042,385	690,577,873	106,146

24 Financial risk management (continued)

(f) Liquidity risk (continued)

Effective interest rates and repricing analysis

Interest rate risk in the statement of financial position arises from the potential for a change in interest rates to have an adverse affect on the net interest earnings in the current reporting period and in future years. Interest rate risk arises from the structure and characteristics of the Company's assets, liabilities and equity, and in the mismatch in repricing dates of its assets and liabilities. The tables for both the 2016 and 2017 financial years detail the exposure of the Company's assets and liabilities to interest rate risk. The amount shown represents the face vale of assets and liabilities. Term Deposits and Placements with other financial instruments include interest accrued to the reporting date.

The interest rate shown is the effective interest rate or weighted average effective interest rate in respect of a class of assets for liabilities. For floating rate instruments the rate is the current market rate; for fixed rate instruments the rate is a historical rate. The bandings reflect the earlier of the next contractual repricing date or the maturity date of the asset or liability.

	Weighted avg interest %	Carrying amount $	Within 1 month $	1-3 months $	3-12 months $	1-5 years $	Later than 5 years $	Non-interest Bearing $
2017								
Financial liabilities								
Call deposits	0.42%	235,159,518	235,159,518	-	-	-	-	-
Term deposits	2.65%	453,578,544	67,681,103	161,436,484	210,418,040	13,947,917	-	95,000
Trade and other payables	N/A	1,930,863	-	-	-	-	-	1,930,863
Long term borrowings	7.25%	3,000,000	-	3,000,000	-	-	-	-
		693,668,925	302,840,621	164,436,484	210,418,040	13,947,917	-	2,025,863
Financial assets								
Cash	1.41%	45,173,680	45,173,680	-	-	-	-	-
Trade and other receivables	N/A	70,142	-	-	-	-	-	70,142
Placements with other financial institutions	2.58%	77,615,008	20,598,800	52,033,335	4,982,873	-	-	-
Loans and advances	4.37%	630,360,393	542,152,786	2,505,592	17,250,212	68,451,803	-	-
Other investments	N/A	96,146	-	-	-	-	-	96,146
		753,315,369	607,925,266	54,538,927	22,233,085	68,451,803	-	166,288

24 Financial risk management (continued)

(f) Liquidity risk (continued)

Effective interest rates and repricing analysis (continued)

	Weighted avg interest %	Carrying amount $	Within 1 month $	1-3 months $	3-12 months $	1-5 years $	Later than 5 years $	Non-interest Bearing $
2016								
Financial liabilities								
Call deposits	0.56%	222,688,893	222,688,893	-	-	-	-	-
Term deposits	2.83%	435,945,836	98,860,919	157,581,934	167,183,867	12,224,116	-	95,000
Trade and other payables	N/A	1,240,708	-	-	-	-	-	1,240,708
Long Term Borrowings	8.22%	3,000,000	-	3,000,000	-	-	-	-
		662,875,437	321,549,812	160,581,934	167,183,867	12,224,116	-	1,335,708
Financial assets								
Cash	1.69%	54,772,061	54,772,061	-	-	-	-	-
Trade and other receivables	N/A	107,121	-	-	-	-	-	107,121
Placements with other financial institutions	2.93%	78,592,031	23,350,043	42,167,467	11,063,056	2,011,465	-	-
Loans and advances	4.53%	582,801,168	525,866,919	4,708,515	14,111,575	38,114,159	-	-
Other investments	N/A	106,146	-	-	-	-	-	106,146
		716,378,527	603,989,023	46,875,982	25,174,631	40,125,624	-	213,267

24 Financial risk management (continued)

(g) Financial instruments fair value

AASB 13 'Fair Value Measurement' states that fair value is a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal of most advantageous market at measurement date.

Under AASB 13 all financial and non-financial assets and liabilities measured or disclosed at fair value are categorised into one of the following three fair value hierarchy levels:
a) quoted prices (unadjusted) in active markets for identical asset or liabilities (level 1);
b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The fair value of a financial instrument is required to be disclosed where the financial instruments are not measured at fair value in the statement of financial position. Disclosure of fair value is not required when the carrying amount is a reasonable approximation of fair value.

Assets where the fair value is lower that the book value have not been written down in the accounts of the Company on the basis that they are held to maturity, or in the case of loans, all amounts due are expected to be recovered in full.

Refer note 28 for additional disclosures regarding fair value of financial instruments.

Notes to the Financial Statements
For the Year Ended 30 June 2017

	2017	2016
	$	$

25 Financial commitments

(a) Credit commitments

The Company had binding commitments to extend credit, which are reflected as off-balance sheet exposures in Note 24(d). These represent agreements to lend to a client as long as there is no violation of any condition in the contract.

(b) Capital expenditure commitments

	2017 $	2016 $
Capital expenditure commitments contracted for purchase of:		
- Property, plant & equipment (not later than 1 year)	10,185	-
- Intangibles (not later than 1 year)	194,350	180,894
	204,535	180,894

(c) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements.

	2017 $	2016 $
Payable - minimum lease payments		
- within 12 months	500,718	148,244
- between 12 months and 2 years	481,378	58,172
- between 2 years and 5 years	1,384,687	97,948
- greater than 5 years	1,335,202	-
	3,701,985	304,364

Operating lease receivables

Operating leases receivables relate to the investment property owned by the Company with lease terms of between 3 to 5 years, with an option to extend for a further term. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Rental income earned by the Company from its investment properties and direct operating expenses arising on the investment properties for the year are set out in note 4 and 5 respectively.

	2017 $	2016 $
Receivable - minimum lease payments		
- within 12 months	228,500	183,627
- between 12 months and 2 years	263,237	112,326
- between 2 years and 5 years	159,166	51,516
- greater than 5 years	-	-
	650,903	347,469

26 Related party disclosures

(a) Names of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel comprise the Directors of the Company, Advisor to the Board and members of the executive management listed below, who are responsible for the day to day financial and operational management of the Company.

Directors

Stephen Brown (Chairman)
Lyn Cox
Mark Nugent
Keryn Nylander
Mac Russell
Scott Newton

Advisor to the Board

Sally Darke	contract expired 31st August 2016	

Executives

Paul Ranson	Chief Executive Officer	
Gerald White	Chief Financial Officer and Company Secretary	
Susie Russell	Chief Operations Officer	
Kate Dean	Chief Sales and Marketing Officer	Resigned 3rd February 2017
Jill Jetson-Shumbusho	Chief Sales and Marketing Officer	Appointed 1st May 2017
Natasha Whish-Wilson	Chief Risk Officer	

(b) Key management personnel compensation

The aggregate compensation of key management personnel during the year comprising amounts paid, payable or provided for was as follows:

	2017 $	2016 $
Short term employee benefits		
Salaries and fees	1,116,393	1,122,045
Net increase in annual leave provision	2,000	5,035
Non-cash benefits	40,597	36,414
Post Employment benefits		
Superannuation contributions	211,615	192,382
Other long term benefits		
Long service leave taken	25,272	33,816
Net decrease in long service leave provision	(33,161)	(23,632)
	1,362,716	1,366,060

Public disclosure of remuneration

In accordance with APS 330 Public Disclosure requirements, the Company is required to include both qualitative and quantitative disclosures for senior managers and material risk takers in the Regulatory Disclosure section on their website.

Notes to the Financial Statements
For the Year Ended 30 June 2017

26 Related party disclosures (continued)
(c) Loans to key management personnel

The Company has provided loans to a number of key management personnel. The aggregate amount of transactions in relation to these loans as at balance date are:

	2017 $	2016 $
Loans advanced during the year	817,542	1,185,597
Loan redraws during the year	33,621	-
Interest revenue recognised	76,513	82,388
Loan repayments received during the year	1,006,699	185,382
Balance of loans outstanding at year end	2,196,213	2,574,415

The Company's policy for lending to Directors is that all loans are approved on the same terms and conditions which applied to members of each class of loan. Key management personnel who are not Directors are entitled to the benefits package offered through B&E's staff benefits program on the same basis as available to all employees. There are no loans which are impaired in relation to the loan balances with Directors or other key management personnel.

There are no benefits or concessional terms and conditions applicable to close family members of key management personnel. There are no loans with close family members of key management personnel which are impaired.

(d) Deposits from key management personnel

The Company holds deposits from key management personnel. All transactions have been entered into on the same terms and conditions as those available to other members.

	2017 $	2016 $
Total balance of deposits	1,427,876	1,972,393
Interest expense recognised	39,929	48,978

There are no benefits or concessional terms and conditions applicable to close family members of key management personnel.

(e) Other transactions with related parties

The Company and/or borrowing clients have received services from entities related to Directors. Scott Newton is currently CEO of Knight Frank Tasmania and IPST Pty Ltd, the ownership entity controlling Knight Frank Tasmania and formerly Opteon Property Group Tasmania. Knight Frank Tasmania and IPST Pty Ltd sold its shareholding in Opteon Property Group Tasmania on 1 March 2017. During the year the Company has leased premises and car parks from Nekon Pty Ltd via managing agent Knight Frank. The Company appointed Knight Frank as selling agent for the disposal of the Devonport and Rosny properties during the year. The aggregate amount paid for these services is listed below. All transactions have been entered into on terms and conditions no more favourable than those available to other suppliers. Refer also note 12 & 13 for further information on valuation services provided.

	2017 $	2016 $
Valuation fees - Opteon Property Group Tasmania	95,424	143,950
Rent expense and car parking lease - Nekon Pty Ltd	52,890	8,333
Knight Frank Tasmania agency fee	81,056	-

Notes to the Financial Statements

For the Year Ended 30 June 2017

26 Related party disclosures (continued)

(e) Other transactions with related parties (continued)

During the financial year ended 30 June 2013, the Company became a 50% joint venture partner in B&Z JV Pty Ltd with Frontier Wealth Pty Ltd holding the remaining 50%. the Company provided $10,000 in seed capital as part of this acquisition. This amount is included in "Investments" on the statement of financial position. Effective 22nd July 2016 B&E sold it's 50% onweship stake in B&Z (refer note 11).

B&Z JV Pty Ltd repaid a loan owing to B&E during the financial year. As at 30 June 2017 the balance was nil (30 June 2016: $396,241). The original total approved facility was $400,000 (refer also note 11).

27 Auditors' remuneration

	2017 $	2016 $
Amounts received or due and receivable by the external auditor (or related entity) of B&E Ltd (excluding GST) for:		
Audit of the financial statements of the company	74,670	71,200
Australian Financial Services Licence	2,450	2,400
Other regulatory assurance services	10,400	10,200
	87,520	83,800
Other transactions between the external auditor (or related entity) and B&E Ltd (excluding GST):		
Mortgage broking commissions paid to related entity of external auditor	3,516	5,114
Lease premise rental income received from related entity of external auditor	29,440	29,081

Further, Pinnacle (part of the Crowe Horwath Group), leased premises from B&E Ltd during the current and previous financial year. Rental income received from Pinnacle is disclosed above.

All transactions have been entered into on terms and conditions no more favourable than those available to other customers or suppliers.

Notes to the Financial Statements

For the Year Ended 30 June 2017

28 Fair value measurement

Net fair values

The aggregate net fair values of financial assets and liabilities, both recognised and unrecognised, at the balance date are as follows:

Financial Instruments	Notes	Total carrying amount 2017 $	Total carrying amount 2016 $	Aggregate net fair value 2017 $	Aggregate net fair value 2016 $
Financial Liabilities					
Call deposits	16	235,159,518	222,688,893	235,159,518	222,688,893
Term deposits	15 & 16	453,578,544	435,945,836	450,823,467	433,524,620
Trade & other payables	17	6,184,986	4,778,578	6,184,986	4,778,578
Long term borrowings	19	3,000,000	3,000,000	3,000,000	3,000,000
Total Financial Liabilities		697,923,048	666,413,307	695,167,971	663,992,091
Financial Assets					
Cash	7	45,173,680	54,772,061	45,173,680	54,772,061
Trade & other receivables	8	420,478	420,478	420,478	555,077
Placements with other financial institutions	9	77,264,672	78,144,075	77,453,776	78,601,951
Loans & advances	10	630,360,393	582,801,168	634,930,621	586,559,019
Other investments	11	96,146	106,146	96,146	106,146
Total Financial Assets		753,315,369	716,243,928	758,074,701	720,594,254

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Recognised financial instruments

Call deposits & term deposits

The carrying amount approximates fair value for call deposits as they are at call. The fair value of term deposits are estimated using discounted cash flow analysis based on current market rates for term deposits.
The Company has assessed its own credit risk in regards to the fair value of deposits, and has assessed that no material valuation adjustment is required based on the capital management system utilised by the Company as outlined in note 24(b).

Trade & other payables

The carrying amount approximates fair value as they are short term in nature.

Long term borrowings

The carrying value approximates net fair value as it reprices frequently.

Cash & cash equivalents

The carrying amount approximates fair value because they have either a short term to maturity or are receivable on demand.

Trade & other receivables

The carrying amount approximates fair value as they are short-term in nature.

Placements with other financial institutions

The fair value of placements with other financial institutions that are not traded in an active market are determined using discounted cash flow analysis with terms to maturity that match, as closely as possible, the estimated future cash flows.

Loans & advances

The carrying value of member loans is net of unearned income and specific provisions for doubtful debts. The net fair value for loans is calculated by utilising discounted cash flow models (i.e. the net present value of the portfolio of future principal and interest cash flows), based on the maturity of the loans. The discount rates applied were based on the current applicable rate offered for the average remaining term.

Other investments

Investments in unlisted equity investments are carried at cost and considered 'level 3' assets as their fair value could not be reliably measured due to the unlisted nature of these investments. There is no immediate intention to dispose of these investments.

Notes to the Financial Statements
For the Year Ended 30 June 2017

28 Fair value measurement (continued)

Fair Value Hierachy
The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

	Notes	Fair Value as at 30 June 2017 Level 1 $	Level 2 $	Level 3 $	Total $
Assets measured at fair value					
Investment property	13	-	2,945,001	-	2,945,001
Land & buildings	12	-	4,243,924	-	4,243,924
Total assets measured at fair value		-	7,188,925	-	7,188,925
Assets for which fair values are disclosed					
Cash		-	45,173,680	-	45,173,680
Trade & other receivables		-	-	420,478	420,478
Placements with other financial institutions		-	77,453,776	-	77,453,776
Loans & advances		-	-	634,930,621	634,930,621
Other investments		-	-	96,146	96,146
Total assets for which fair value is disclosed		-	122,627,456	635,447,245	758,074,701
Liabilities for which fair values are disclosed					
Call deposits		-	235,159,518	-	235,159,518
Term deposits		-	450,823,467	-	450,823,467
Trade & other payables		-	-	6,184,986	6,184,986
Subordinated debt		-	3,000,000	-	3,000,000
Total liabilities for which fair values are disclosed		-	688,982,985	6,184,986	695,167,971

There have been no transfers between levels during the year.

	Notes	Fair Value as at 30 June 2016 Level 1 $	Level 2 $	Level 3 $	Total $
Assets measured at fair value					
Investment property	13	-	3,060,095	-	3,060,095
Land & buildings	12	-	5,086,723	-	5,086,723
Total assets measured at fair value		-	8,146,818	-	8,146,818
Assets for which fair values are disclosed					
Cash		-	54,772,061	-	54,772,061
Trade & other receivables		-	-	555,077	555,077
Placements with other financial institutions		-	78,601,951	-	78,601,951
Loans & advances		-	-	586,559,019	586,559,019
Other investments		-	-	106,146	106,146
Total assets for which fair value is disclosed		-	133,374,012	587,220,242	720,594,254
Liabilities for which fair values are disclosed					
Call deposits		-	222,688,893	-	222,688,893
Term deposits		-	433,524,620	-	433,524,620
Trade & other payables		-	-	4,778,578	4,778,578
Subordinated debt		-	3,000,000	-	3,000,000
Total liabilities for which fair values are disclosed		-	659,213,513	4,778,578	663,992,091

28 Fair value measurement (continued)

Valuation techniques for fair value measurements categorised with level 2

Land and buildings, including investment properties, have been valued based on similar assets, location and market conditions.

Level 2 assets and liabilities

Movements in level 2 assets and liabilities during the current and previous financial year are as set out below:

	Investment properties $	Land and buildings $	Total $
Balance as 1 July 2015	3,060,095	5,149,036	8,209,131
Additions	-	-	-
Losses recognised in other comprehensive income	-	-	-
Losses recognised in other comprehensive income	-	-	-
Depreciation expense	-	(62,313)	(62,313)
Balance at 30 June 2016	3,060,095	5,086,723	8,146,818
Additions	-	-	-
Transfers	(184,518)	284,300	99,782
Gains recognised in other comprehensive income	-	1,656,128	1,656,128
Revaluation increment through profit and loss	464,906	-	464,906
Disposals	(395,482)	(2,720,517)	(3,115,999)
Depreciation expense	-	(62,710)	(62,710)
Balance as at 30 June 2017	2,945,001	4,243,924	7,188,925

Crowe Horwath Tasmania
ABN 55 418 676 841
Member Crowe Horwath International

Audit and Assurance Services

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Auditor Independence Declaration Under S307C of the *Corporations Act 2001* to the Directors of B&E Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2017 there have been no contraventions of:

1) The auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

2) Any applicable code of professional conduct in relation to the audit.

Crowe Horwath Tasmania

CROWE HORWATH TASMANIA

David Munday

DAVID MUNDAY

Partner

Dated at Melbourne this 29th day of August 2017.

Crowe Horwath.
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Crowe Horwath Tasmania
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B&E Ltd

Independent Auditor's Report to the Members of B&E Ltd

Opinion

We have audited the financial report of B&E Ltd (the Company), 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 members' 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:

(a) 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

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

Other Information

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

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

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.

Crowe Horwath.
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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_files/ar3.pdf. This description forms part of our auditor's report.

Crowe Horwath Tasmania

CROWE HORWATH TASMANIA

DAVID MUNDAY

Partner

Dated at Melbourne this 29th day of August 2017.