

Canterbury Surrey Hills  
Community Finance Limited

Annual Report 2018

Canterbury, Ashburton,  
Surrey Hills and Balwyn  
Community Bank® branches



15 years  
and \$5.6 million  
given back to our  
community

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# A Little About Us

In 2003, a committed group of local people started a Bendigo Bank community banking company, to bring banking services back to Surrey Hills and Canterbury. Fifteen years later, we continue as a genuine banking option for communities in Surrey Hills, Canterbury, Ashburton and Balwyn.

As a community business, we have three objectives:

## **Providing exceptional banking services to our communities**

Backed by Bendigo Bank, we can provide robust banking solutions—home loans, personal and business banking, and insurance—as well as exceptional personalised customer service. Bendigo Bank provides the balance sheet, the financial products, systems and training, while the local community provides the premises, equipment and staff.

## **Growing our capacity to invest in community projects**

Through our Community Investment Program, we are working to build sustainable and resilient communities, and helping local people create the places where they want to live. Over the past 15 years, we have invested more than \$4.4M in the Canterbury, Ashburton, Surrey Hills and Balwyn communities. We provide economic and social value by funding more than 280 community groups and organisations. Indeed, many community projects would not have been viable without our financial support and investment.

## **Providing a reasonable financial return to shareholders**

We strive to create and share value with everyone connected with our business. This includes our shareholders, many of whom live locally. Bendigo Bank's Community Bank® network gives our communities direct equity in their banking service provider, as well as the scale advantages associated with an established banking brand.



Above: Speakers, Neale Daniher AM, David Parkin and Gerard Whateley join Nick Coker and Juliann Byron at our Business Breakfast.

As one of Australia's largest and most successful Community Bank® Groups, we are very proud of our strong and valued brand, our commitment to great customer service and our role in our communities. Our Community Investment—which exceeded \$757,000 in the past 12 months—is possible only because our customers choose to bank with us.

*“Through our Community Investment Program, we are working to build sustainable and resilient community, and helping local people create the places where they want to live.”*

# Highlights

## Local Impact



**9626**  
Customers



**776**  
Shareholders



**7**  
Directors



**26**  
Staff



**280**  
Community  
Groups

## Community Investment



**280**  
Groups supported since 2003



**110**  
Groups supported in 2018



**\$1,161,549**  
Total Return to  
Shareholders (Dividends)

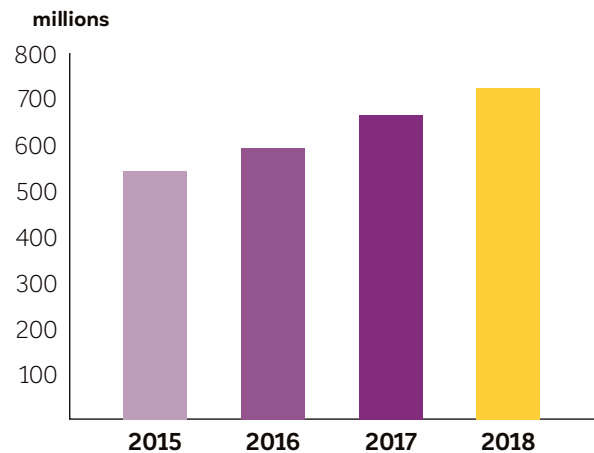


**\$757,334**  
Total community  
investments in 2018

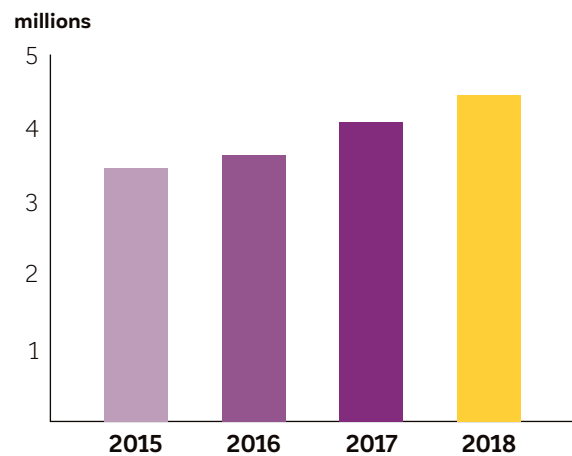


**\$4,460,716**  
Total community investments  
since 2003

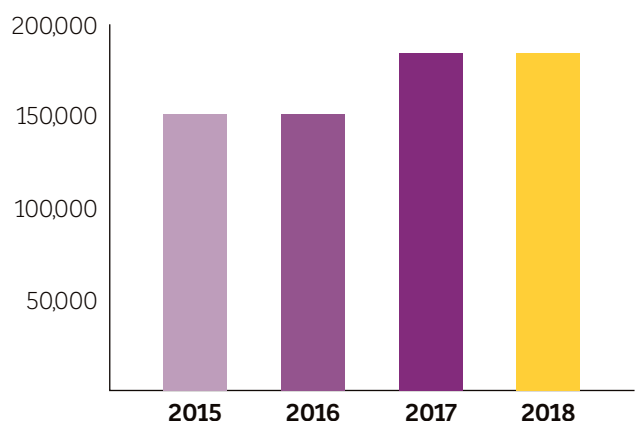
## Footings Growth (\$)



## Revenue Growth (\$)



## Fully Franked Dividend (\$)



# Chairman's Report



*"We had another good year of growth during the past 12 months and our success reflects the competitive banking products we offer and the high level of service provided by our staff."*

It is difficult to believe that what began 15 years ago to bring banking services back to Canterbury and Surrey Hills, is now a network of people in our community. These people are not only taking greater control of their financial futures, they are investing something of themselves to strengthen the prosperity and sustainability of the place they call home.

At the end of 2003 (our first year of operation), our company made a loss of \$214,745, yet provided \$8,000 in community contributions. How things have changed! At 30 June 2018, our company made a profit of \$440,946 and we have injected more than \$5.6 million into our community, contributing to its social and economic sustainability.

The Community Bank® model requires partnerships with local people and enterprises. Working together, we provide quality banking services, employment opportunities, a local investment option for shareholders and importantly, a source of revenue for projects determined by local people.

Our company has an active role in maintaining and enhancing the sustainability, liveability and resilience of our community by investing in initiatives that build social, economic and technological capital.

## **We're still here after 15 years and going strong!**

As a Community Bank® company, we know that we must operate in our customers' best interests. This customer-centric approach has always been the basis of our relationship with both our customers and Bendigo Bank. Bendigo Bank and the Canterbury Surrey Hills Community Finance Ltd Group share values that recognise customer needs and customer choice, and these values have stood us in good stead in the face of the recent royal commission on banking services. Some may see us as conservative and perhaps, at times, we have asked for more information from our customers, but our approach has benefited our customers and our company.

We had another good year of growth during the past 12 months and our success reflects the competitive banking products we offer and the high level of service provided by our staff. During 2017–18, our total revenue grew by 8% to \$4,474,134 and our overall footings increased by 8.3% to \$728 million. The personalised service and engagement our staff provide to our customers sets us apart from our competitors. We focus on delivering what our customers want, when they want it and how they want to receive it. We understand the changing needs of our customers and potential customers, including the desire for a personal level of banking. Our customers can contact someone they know at a branch; they don't have to deal with an impersonal call centre. Our mobile relationship managers have added to our business growth and can respond to customers' needs, delivering high quality mobile banking services in customers' homes and workplaces at a time to suit the customer.

## **Look at what we can achieve!**

The strong growth for the year was even better news for our community investments and grants, which increased on the previous year, from \$576,177 to \$757,334 inclusive of GST.

Our directors and staff are committed to fostering relationships with the community groups we support, to ensure we can continue to grow our business and support our broader community. In 2017–18, we provided \$757,334 in investments and grants to 110 local community organisations. Over the past 15 years, we have contributed \$4,460,716 to the community through the Community Investment Program.

Our company also seeks to provide a good return to our shareholders, most of whom live locally. Over the life of our company, we have provided \$1,162,000 in shareholder dividends. When we combine our community investments and our shareholder dividends, we have injected \$5,622,000 into our community, an extraordinary contribution.

We have continued working on our strategic plan initiatives to drive growth, maintain profitability levels and keep supporting the broad range of organisations in our local communities. We have developed an investment strategy to reflect our cash needs and our risk appetite. Our customers are changing how they use our services and branches, so we are considering how to change our branches and still deliver the services they need. At the same time, we are expanding our mobile banking services, to deliver services at a time which suits the customer.

During the past 12 months we renewed our Franchise Agreement with the Bendigo and Adelaide Bank for the Surrey Hills Branch, another significant achievement as that Branch celebrates 15 years since opening.

Developing our people is essential to our success. Our staff have opportunities to attend various professional development programs to build knowledge, make our workforce more resilient and upskill our leaders. We have also broadening our customer base by hiring multilingual staff, a strategy that we will develop further in the year ahead.

### **Here's how we have Supported our Community**

Our marketing strategy focuses on deepening the relationships we have with the community organisations we support. Our Marketing Manager, Anna Gration, has been pivotal in creating a database of information that helps us deliver community investments to those applying for funding assistance. She has worked tirelessly on fulfilling the marketing strategy and providing marketing assistance to the branches and community groups, so that they have the appropriate marketing material. Ongoing sponsorship of many of our community groups depends on growing banking business from these organisations. Anna and the branches provide marketing support to promote our involvement with these groups to their stakeholders.

As part of our marketing strategy, we have invested in marketing our brand through a cinema advertising campaign at the Balwyn and Rivoli cinemas. The 'Be the Change' advertising campaign highlights the connection between banking with us and positive community outcomes.

We offer valuable support to organisations who work in the areas of exclusion or disadvantage. During the past 12 months, we have supported Camcare, allowing it to deliver programs to those most in need. Camcare now receives considerably less funding from local councils than in previous years, so the organisation relies on our support to deliver these programs. We are supporting a domestic violence program over the year ahead, for example. Domestic violence is a major social issue in Australia, (and yes in Boroondara as well), and is considered the principle cause of homelessness for

Australian women and their children. We are supporting community organisations that provide services to the elderly and people with disabilities; these organisation include Basscare, Samarinda and Alkira to name a few.

Sport plays an important role by improving physical and mental health and fostering connection and belonging for participants. We have continued our support of many local sporting clubs, by purchasing equipment and funding larger projects such as new scoreboards.

We believe the investment in our young people and their futures will benefit the whole community. Our programs and initiatives help them realise their potential and overcome adversity as they transition into adulthood. Through the Boroondara Youth Foundation, we provide grants to youth led projects, allowing recipients to bring their ideas to life. Our Youth Advisory Committee works to promote the youth programs we support at the same time providing the committee members with valuable experience working with a listed company. We sponsor local students to attend the Magic Moments Leadership Summit, an intensive five-day camp, teaching participants about business and leadership. Our Business Board Room program provides the opportunity for students from local government secondary schools to observe the work of our board and committees. This year we have also supported the Boroondara Cares Foundation sponsorship program which supports local school children.

### **These are our challenges for the next 12 months...**

Over the next 12 months, both the board and staff will continue working to have greater penetration into our community organisations, a strategy that is increasingly creating significant benefit for our company. We obtain banking business and at the same time strengthen our ties with the community, to realise the mutual benefits from working together. We will refresh our strategy to remain relevant to our existing and, just as importantly, our potential customers, while always looking after our stakeholders. We will also keep developing our staff and provide the right mix of skills for the future of the business.

I am fortunate to work with a team of dedicated people who are committed to achieving great things for our company and our community.

My fellow directors are all active participants in our community and bring a wealth of experience to the boardroom. I thank them for their dedication to growing our business and equally their commitment to building a stronger community.

Thank you also to our staff led by senior manager, Nick Coker who continues to be an exceptional manager of the overall company overseeing the operation of the four branches and is actively involved with many of our community groups. He is supported by our dedicated branch managers, mobile relationship managers and branch staff. I appreciate their professionalism, commitment to our communities and the outstanding level of service that they provide to our community.

On behalf of the board, I would like to thank you, our shareholders, for your continued support for our bank. If you have been with us since the first openings 15 years ago, or joined us with the opening of Ashburton and Balwyn, I thank you for your vision and hope you appreciate the work undertaken by the steering committees and the board members during the journey that has allowed the company to provide strong returns.

I look forward to a successful 2019.

**Juliann Byron**  
Chairman

*"We believe the investment in our young people and their futures will benefit the whole community."*



1. Andrew Whittaker and Juliann Byron present Camcare Chief Executive Officer, Jane Broadhead with sponsorship.

2. Juliann Byron, Maggie Stamoulis and Gary Johnson with Alkira staff celebrating the new bus we have funded for the centre.

3. Dick Menting and Maggie Stamoulis present the Mont Albert Cricket Club with sponsorship and Banking Rewards payments.

# Senior Manager's Report



*"We continue to focus on being more connected with our customers, our community groups and business partners."*

The 2018 financial year was another busy and successful year of milestones and changes to our network.

- Community Investment through sponsorships and grants exceeded \$4.4M.
- Overall business growth of 9% resulted in total footings of \$728M.
- Our consolidated mobile workforce covers the growing expectations of the retail lending market.
- We have a network of branches embedded in the local community, shopping strips, and staff with multilingual skills.

Retail banking is extremely competitive and challenging, operating in an environment of constant changes and heightened regulatory scrutiny (such as the Financial Services Royal Commission). We continue to focus on being more connected with our customers, our community groups and

business partners. We promote our full suite of products and services to our customers, community groups and local businesses, demonstrating we can be a one stop financial services business. We stand apart from our competitors by providing exceptional service and wanting to better understand our customers' needs. Knowing our customers is our basic principle.

Our business has strong fundamentals, and consistent with our plan and a focus on our core strengths in banking and customer service, we delivered some pleasing results for the 2018 financial year. Total footings are now sitting at \$728M, which is up \$55.8M (or 8.5%) for the year. We had a very disappointing result in deposits, which fell by \$3.4M. By contrast, lending was very strong with growth of \$59.2M (or 20%). The overall growth figures compare very well with growth in the banking system broadly, and within the Bendigo Bank network. We continue to lead the way within the Community Bank® network across the country, and are always looking at ways to improve our customer offerings (both in service and access). Across the group, account and customer numbers grew, and we are seeing customers doing more with us (taking a holistic approach to their financial needs). We achieved strong revenue performance reflecting good lending growth, and increased products per customer combined with continued improvement in insurance and financial planning sales.

Balwyn Community Bank® Branch has benefited from increased staffing levels in line with our growth strategy. Lending increased by \$35M for the year although deposits suffered, falling by \$2.5M. The overall growth figure of almost \$33M has resulted in total outstanding business of almost \$205M, reaching this great milestone (of \$200M) in the last month of the year. Adam Osmani, his multilingual specialist Dolly Li and other team members have worked hard to engage further with the local community, local traders and referral partners.

Canterbury Community Bank® Branch achieved some great results for the year, increasing business on the books (footings) by just over \$26M and bringing total business to \$171M. This pleasing result is due to higher lending (up \$16.4M) and higher deposits (up almost \$10M). Shurojit (Shuro) and his team have done a great job turning around the previous year's disappointing performance. The success is attributed to engaging with the local community groups and businesses within Maling Road, together with extensive business development.

Ashburton Community Bank® Branch had a tough year across the board, after such a great result the year before. Lending remained flat, affected by some planned commercial lending paybacks. Deposits fell by almost \$5.5M because a number of customers changing investment strategies. Overall business (footings) now sit at just under \$128M. Kathy Koulouris and her team have been challenged by the five other banks in the strip, but continue to focus on the local businesses and community groups, building the profile of the branch and the benefits of doing business with us.

Surrey Hills Community Bank® branch continues to be our biggest branch in terms of business (footings). The year was very challenging with overall growth of \$3M, bringing footings up to \$224M. Maggie Stamoulis and her team worked closely with their community and business partners growing lending by over \$8.2M (this was after some commercial lending planned payback in excess of \$7M). Deposits offset this growth in lending, falling by \$5M for the year.

Our mobile relationship managers continue to make a positive impact on the business with approximately 80% of settlement figures hitting the bottom line immediately and affecting business across all four branches. Gary Johnson who works across both Ashburton and Surrey Hills branches has delivered a great result for his first year in the business. Gary recorded settlements for the year at just over \$17M (of which approximately \$13.6M contributes towards overall yearly lending growth). Nick Azar who works across both Canterbury and Balwyn branches has had another stellar year working closely with his long term referral partners and networks. Nick recorded settlements of just over \$25M for the year (of which approximately \$20M contributes towards overall yearly lending growth). This service offering is proving to be very beneficial to our business with opportunities coming from referral partners, and customers looking to see an experienced lender outside the traditional banking hours and on weekends. We see future possible expansion opportunities in this part of our business and will assess this throughout the year.

We had a number of staff changes during the past year; some people left the business, some people moved within the business and some people joined the business. We also created some new positions in line with our business strategy. In a very competitive field, customer service, knowledge and expertise is a key driver of success. We made great progress reshaping our workforce to have the right people with the right skills for today, the year ahead and into the future. We are committed to developing outstanding leaders and enhancing staff capabilities to deliver a high-performance culture.

Over the past 12 months, our dedicated team have delivered great service to our customers, and demonstrated a passion to assist our community groups and partners. I would like to thank them all for their commitment and drive in making this such a successful business. This commitment by our people to exceed customer expectations has helped to deliver these results.

I receive great support from a truly dedicated board of directors who value my opinion, encourage thinking outside the norm and are passionate in delivering great outcomes to the community. They are driven to build on the community partnerships that we have in place, create new ones and look at how they can further support the business. I would like to acknowledge and thank them all for the great support and for sharing their vast knowledge and experiences with me and the team.

I would also like to thank our Marketing Manager, Anna Gration, who supports all the branches with personalised marketing and community engagement.

Rohan Sadler and his team from Bendigo and Adelaide Bank Ltd provide consistent support, and our business benefits greatly from this. Bendigo Bank continues to be a partner the local community can be proud of.

Our shareholders and customers deserve the accolades, because they create the biggest impact on this business. Without you, there is no Community Investment Program. Your banking is building a better community and the more we can grow by attracting more business, the more we can all make a difference. Please refer all your family, friends and work colleagues to us so we can continue to grow and increase our community investment.



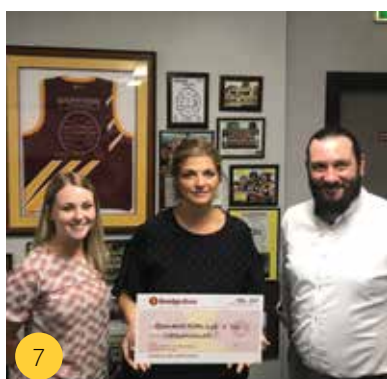
**Nick Coker**  
Senior Manager





1. Juliann Bryon presents sponsorship cheque to Old Scotch Football Club President, Tim Shearer.
2. Sponsorship cheque presentation to the Ashburton Traders Association for Sponsorship of the Ashburton Twilight Festival.
3. Nick Coker and Adam Osmani present sponsorship to the North Balwyn Tennis Club committee for the upgrade of lights at the club.
4. The Ashburton Community Bank Under 16 Ashy Redbacks football team-Runners up in season 2017.

5. Juliann Byron presents the Ashburton United Soccer Club with a prize at the Social Media workshop.
6. Shuro Shome and Juliann Byron present a grant to Basscare for the installation of a golf putting green and bowls link at the aged care facility.
7. Tegan Smith and Maggie Stamoulis present the Nunawading Football Club with sponsorship.
8. The Ashburton Community enjoying the main stage entertainment at the Twilight Festival.



# Treasurer's Report

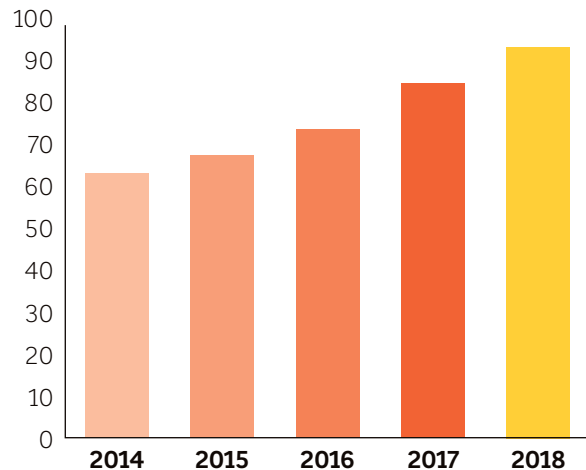
## Operating Results

Despite challenging business conditions, the mix of our footings contributed to an 8% increase in revenue and an improvement of 17.2% in our overall Community Returns. Operating expenses increased by 11.5%, primarily due to recruiting additional experienced staff.

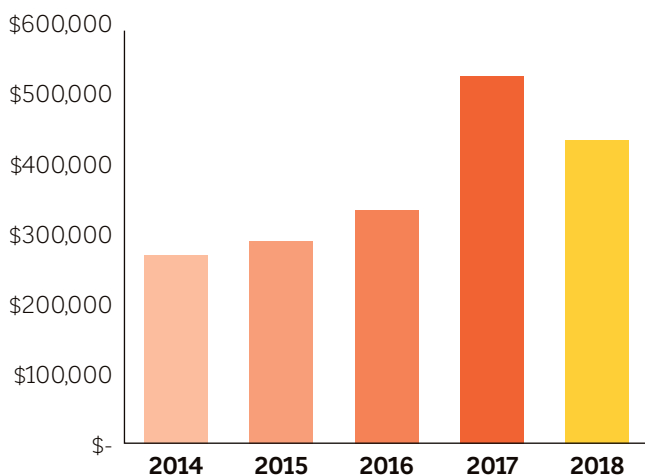
Overall pre-tax profits decreased by 18.1% from 2017, due to our charitable donations and sponsorships increasing by 24.8%.

The Board continues to monitor the potential future effects of Bendigo Bank's "Project Horizon" review, and the capacity to increase contributions to the local community and shareholders.

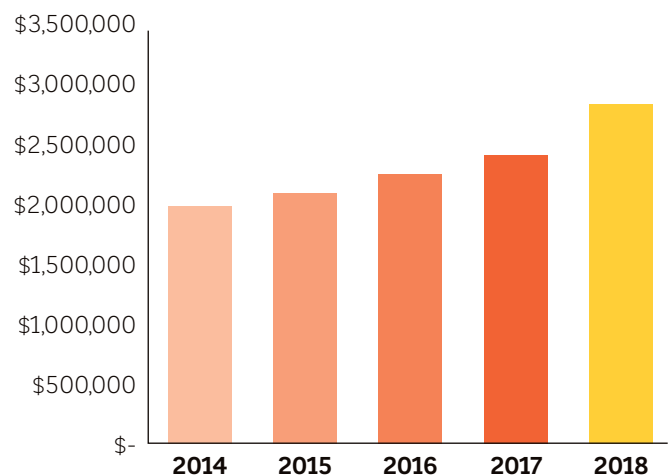
## Net Asset Value — Cents per share



## Net Profit after tax



## Community Investments, dividend and salaries



## Dividends

In October 2017, the Company paid a dividend of 6 cents per share based on the performance of the 2017 financial year.

The Directors have determined that a dividend of 7 cents per share will be paid for the 2018 year, which is expected to be paid in October 2018.

At the 2017 AGM shareholders approved the proposal by the Board to establish an on-market share buy-back program during 2018 to reduce the equity base of the Company and improve the overall use of capital. The Company bought back 75,100 shares in the year ended 30 June 2018 at prices from 65c to 80c per share.

**Ian Dinnison**  
Treasurer

# Review of Operations

This year marks 15 years for the CASH Group. In our first annual report in 2003, we reported total footings of almost \$16M (total business of loans and deposits). Fifteen years later, we have total footings of \$728M. In 2003, we operated from one branch (Surrey Hills) and were preparing to open another (Canterbury). Now, we operate from four branches. We invested \$8,000 in our community (via our Community Investment Program) in 2003. Fast forward to 2018, and we invested over \$750,000 and our total community investment now exceeds \$5.6M.

Growing the business and our investments in the community is still at the heart of everything we do. This section discusses our performance against three strategic initiatives identified in 2017: growing the business, investing in the community and adapting to change. We also identify our focus for the coming year: focusing on effective community development, exploring further opportunities for growth and developing our community partnerships for shared success.

## Growing the business

### What we wanted to do

We wanted to continue to develop our staff capabilities.

It was important we generate new business through our increased mobile banking capabilities and our personalised banking service.

We wanted to increase the number of products held by our customers through increasing staff knowledge so that they can promote our full suite of products to both new and existing customers.

We wanted to work with our community groups to promote the Community Bank® story and ensure they distribute the message to their members and supporters.

We wanted to drive business growth through traditional advertising channels, using both print and digital platforms and using social media to share our community stories.

### What happened

Our business growth exceeded expectations which enabled us to provide a greater return through our Community Investment Program.

Staff participated in various programs to build their knowledge, creating opportunities for promotion within our branch network. This training also gave staff more depth of knowledge, which enabled them to assist our customers across the ever expanding product range.

We have seen the benefits of our expanding mobile banking capabilities, with our two dedicated mobile relationship managers. Developing our branch managers also ensured continued business growth and personal banking services. We meet our customer expectations in a responsive and timely manner.

Increasing our customers' product mix continues to be a challenge. In the past 12 months the number of products held per customers increased slightly, and this will continue to be a focus area for business growth.

We had greater engagement with our sponsored community organisations, providing marketing support and materials and a product focused approach with these organisations. We have used social media channels to communicate with members and supporters of these organisations. This engagement increased banking business, but requires ongoing support.

We have undertaken a cinema advertising campaign to support the national 'Be the Change' advertising campaign. This campaign connects the benefits of community banking with positive outcomes in our community.



Community Result  
**STRONG**



Overall Result  
**POSITIVE**

## Investing in the community

### What we wanted to do

We wanted to deepen our engagement with community groups who received funds through our Community Investment Program. Generating meaningful and successful partnerships will remain the focus of our marketing program.

We wanted to focus on sharing our community story and ensure our community groups understand what is possible through a mutually beneficial relationship, and how much the community can benefit. We wanted to identify large sporting groups to work with, to deliver a return on our investment through banking.

We also wanted to keep supporting other groups that help disadvantaged members of our community, such as the elderly, people with disabilities, and those in need. We have a strong and ongoing commitment to support these organisations.

### What happened

We developed new digital and print marketing materials for groups we sponsor. We provided marketing support to these organisations, by providing advertising and social media materials and had staff and directors involved in visits and presentations to these groups. We launched a new website to share community stories and provide resources for sponsored organisations.

We launched the Banking Rewards program, highlighting the benefits for community organisations to generate additional revenue streams through our referral program.

We held a social media workshop for our sponsored groups, with almost 100 representatives from community organisations attending.

We continued to increase the support to organisations servicing community welfare and disability sectors, by supporting activities that would not be possible without our financial support. We funded transport for community welfare organisations, recreational facilities in aged care centres and programs for the most disadvantaged in our community.



Community Result  
**POSITIVE**



Overall Result  
**STRONG**

## Adapting to change

### What we wanted to do

We wanted to continue to review our business model, processes and technology to keep in step with customer needs and changes in the banking markets. We wanted to examine what 'the branch of the future' looks like, based on potential future customer use patterns.

We wanted to evolve our organisational structure, roles and skills in response to the changing needs of the market and our customers.

We wanted to ensure we have strategies to grow our business, and address falling revenues associated with Bendigo Bank's revenue sharing model.

### What happened

We have a working party continuing to research how our branches will meet the needs of our customers into the future as we move into an increasingly online environment. This is a long-term strategy to meet the needs of our customers. Our customers are always our highest priority.

We have continued to upskill our staff through professional development, to ensure they expand their knowledge and have opportunities to progress within our company.



Community Result  
**NEUTRAL**



Overall Result  
**GOOD**

*"We wanted to focus on sharing our community story and ensure our community groups understand what is possible through a mutually beneficial relationship, and how much the community can benefit."*

# Future Focus

## Focusing on effective community development

While we are continuing to grow our business, we also need to reflect on the use of the increasing amounts available to the community and the most effective ways of returning these funds to the community we support.

In previous years, we set aside funds for future projects that may require substantial investments, and will continue to monitor significant community plans for our potential involvement.

We are aware new funding requirements for the disability and care sector are a challenge for community organisations that provide disability and care services. We will continue to monitor this space and try to help where we can to support this important area.

## Exploring further opportunities for growth

Business growth remains our key focus, but we recognise the year ahead may be very challenging.

We will increase customer awareness of the suite of products we offer and will focus on increasing the number of products held per customer.

We will offer the right mix of staff to meet the needs of our diverse community. We will continue to appoint staff who have a range of skills to service our customers. As we grow, we recognise our staff must also develop and grow, so that they can provide the levels of service we hold so highly.

We will continue to evaluate our branch structure to maximise opportunities for growth. We will ensure we have sufficient mobile capabilities to deliver personalised, immediate and convenient services for our customers where and when they need us.

We will continue to develop the relationships with our community organisations to generate business growth from this channel.

## Developing our community partnerships for shared success

We will focus on deepening our relationships with the community we support. We will share the Community Bank® story, so that they understand the mutual benefits when we work together. Our continued investment into our community relies on the support the community gives us through banking.

Community groups require funding to deliver many projects and programs. Our Banking Rewards program provides an opportunity for these organisations to achieve funding targets through banking referrals. We will keep working with organisations to promote the Banking Rewards program.

We will keep supporting needy and disadvantaged groups in our community. We will look for opportunities to partner in delivering programs and provide resources to assist this sector.

*“ We will focus on deepening our relationships with the community we support. We will share the Community Bank® story, so that they understand the mutual benefits when we work together.”*





1. Damien Hudson and Maggie Stamoulis present a sponsorship cheque at the Surrey Hills Music Festival.
2. Nick Coker presents sponsorship and banking rewards to the Ashburton United Soccer Club.
3. Dick Menting, Juliann Byron and Nick Coker at the Canterbury Sports Ground photographed with the scoreboard we funded.

4. Gary Johnson launches a Home Loan Campaign at Riversdale Soccer Club.
5. Sponsored organisations attend the Social Media workshop at MCC Kew.
6. The new bus we funded at Burke & Beyond.



**Adam Osmani,**  
Branch Manager

## Branch Reports

# Balwyn

## Highlights

We helped many groups in our local community throughout the year via our Community Investment Program. Two of the most rewarding projects were:

- helping Belmore Special School upgrade its outdated phone system, which could no longer be repaired. Now, the school can contact parents/guardians and emergency services without any problems.
- helping the Balwyn Rotary Rail Day for children with a disability. Each year, this event provides a wonderful day out for these children and their families.

We supported local sporting clubs, with activities ranging from providing new equipment to assisting in upgrading grounds and facilities. We also supported cricket and football clubs that were establishing new female teams. We are working closely with many of our local sporting clubs, promoting our services and our Banking Rewards program. These large sporting clubs provide significant opportunities to acquire new business.

Our second year of offering Mobile Relationship Managers has been very appealing. Strong demand for mobile services (especially after hours appointments) led us to appoint a second Mobile Relationship Manager.

Our school banking program at Balwyn Primary School is helping children understand basic finance and why it's important to save.

## Achievements

We had an exceptional year with lending growth, but deposits remained flat. The key drivers of these results were:

- Creating two new positions (Senior Customer Relationship Manager and Customer Relationship Manager) to focus on lending and to expand our target market. These staff can also speak other languages.
- Engaging with our local shopping strip and having customers refer family and friends for further business.
- Receiving business from our Mobile Relationship Manager Nick Azar who is based at Balwyn.
- Establishing new referral agency agreements with accountants and real estate agents.

Increased lending activity created many opportunities to discuss insurance and planning with existing and new customers. Pleasingly, we exceeded insurance sales targets.

Our new to bank customer numbers continued to grow, up 9.1% over the previous financial year. We tapped into new markets and demographics, and we gave customers the flexibility of location and appointment times that suit them.

## Challenges

Our positive growth overall reflected our strong lending result. However, our deposits did not experience the same growth, reflecting:

- Highly competitive rates within the deposit sector.
- Competition from five other financial institutions within the local shopping strip.

## Total footings



\$204.8m

### Growth

#### Lending Growth

2018 \$35.1m ▲ 45.0%  
2017 \$21.7m ▲ 38.6%

#### Deposit Growth

2018 -\$1.6m ▼ -2.0%  
2017 -\$0.4m ▼ -0.6%

#### Other Business Growth

2018 -\$1.0m ▼ -6.0%  
2017 \$15.1m ▲ 478.3%

#### Total Growth

2018 \$32.5 m ▲ 18.8%  
2017 \$36.4m ▲ 26.8%





**Shurojit Shome,**  
Branch Manager

## Branch Reports

# Canterbury



### Highlights

Our customers continue to be very satisfied with the individualised and tailored service they receive and we have helped many customers purchase their dream homes.

Some of the community organisations we have supported during the last 12 months include:

We assisted BASSCARE, an organisation providing aged care services in Boroondara to install a mini golf facility, a cinema room and a virtual reality system that allows residents to visit their favourite cities without leaving the room.

We helped fund a state-of-the-art scoreboard at Canterbury Sports Ground, which has greatly assisted with Canterbury Cricket Club and Canterbury Football Club's games.

We helped Interchange Inner East purchase camping equipment. This equipment means children with disabilities can take part in their favourite outdoor activities.

We once again sponsored the Camberwell Art Show, which is one of Australia's leading art events for established and emerging artists.

### Achievements

We exceeded branch growth targets for both deposits and lending, recording significantly improved results when compared with 2017. This strong growth reflected:

- Strong lending growth, due to establishment of new and strengthening of existing relationships with community and business partners.
- Strong deposit growth from clients referred through business partners.

We engaged with our community organisations who supported us and helped us grow.

### Challenges

Maintaining staffing levels continued to be a challenge with staff turnover throughout the year resulting in staff shortages at various times. Some staff moved to more senior roles at other branches and we managed this transition with existing staff pulling together and working as a team.

Lending criteria continue to tighten and place pressure on lending growth targets. We will continue to work with our community and business partners to grow our lending portfolio through the provision of highly personalised and excellent customer service.

Growing deposits continues to be a challenge, this is largely due to the highly competitive rates within the deposit sector.

### Total footings



\$171.3m

### Growth

#### Lending Growth

2018	\$16.4m	▲ 29.8%
2017	-\$1.3m	▼ -2.3%

#### Deposit Growth

2018	\$10.0m	▲ 11.7%
2017	-\$13.7m	▼ -13.8%

#### Other Business Growth

2018	-\$0.3m	▼ -6.0%
2017	\$1.0m	▲ 26.5%

#### Total Growth

2018	\$26.2 m	▲ 18.0%
2017	-\$14.0m	▼ -8.8%





**Maggie Stamoulis,**  
Branch Manager

## Branch Reports

# Surrey Hills

## Highlights

We re-established a strong working relationship with the KBH Brumbies Hockey Club, which has more than 40 teams from juniors through to team playing in the Premier League competition. The committee and club members are strong advocates of community banking, which led to eight new lending settlements with club members. Our staff members often attend club functions, giving us opportunities to strengthen our relationship, and to discuss our services.

We provided funding to Alkira for the purchase of a bus. Alkira, provides services and support to people with a disability. The vehicle will allow residents of their respite facility to be transported to and from appointments and recreational activities.

Our branch also has strong relationships with clubs such as Mont Albert Cricket Club, Hawthorn Amateur Football Club and Bulleen Cricket Club, relationships that we have built over many years. These groups advocate for community banking among members, as evidenced by multiple referrals for lending, accounts and insurance from players, members, and family and friend connections.

We are a major sponsor of the Surrey Hills Music Festival, providing \$7,000 in 2018. At this key community event, we can highlight and showcase the bank's commitment to the local community. This year we ran a 'Guess the piggy' competition, with a local resident winning the \$500 prize.

## Achievements

Our engagement with local traders continues to grow and improve. Pleasingly, new local traders are choosing us for their accounts and merchant facility requirements. Working together, we are building relationships that will create opportunities to meet our customers' total financial needs, both business and personal.

The CASH Group appointed a second Mobile Relationship Manager, Gary Johnson. Our two Mobile Relationship Managers are helping us engage with local referral partners and our sponsored community groups.

Our customer numbers rose in this financial year, driven by ongoing business development through local professional business services, referral partners and sponsored community groups.

Overall, our branch footings rose to \$226M in the 2018 financial year, up from \$211M in the last financial year.


## Challenges

Growing our deposits will be a challenge, because we must compete with online, at call options, and because customers are using funds to purchase properties.

Tighter lending regulatory guidelines means the branch cannot take up certain lending enquiries. We are also experiencing lending run-off, due to property sales of approximately \$10M throughout the year.

Teller transactions and foot traffic continues to fall, down 8.4% in this financial year. We must manage our staffing and resources in the face of declining face-to-face transactions.

## Total footings

 \$224.3m

### Growth

#### Lending Growth

2018 \$8.2m  8.5%

2017 \$5.3m  5.8%

#### Deposit Growth

2018 -\$5.3m  -4.7%

2017 \$15.6m  16.1%

#### Other Business Growth

2018 \$0.2m  1.6%

2017 \$5.6m  85.7%

#### Total Growth

2018 \$3.1m  1.4%

2017 \$36.4m  13.6%



**Kathy Koulouris,**  
Branch Manager

## Branch Reports

# Ashburton



## Highlights

We were a major sponsor of the Ashburton Village Last Day of Summer Festival in February, an annual event that brings the Ashburton community together. Our financial support meant the more than 18,000 people who attended enjoyed many free activities.

We strengthened our partnership with the Waverley Hockey Club by funding permanent heaters for the pavilion, keeping supporters and families warm during cold winter days and chilly winter nights. The club sees us as a partner, and is working with us to support the community and the bank.

We also supported many other local sporting clubs, and are working closely with them to promote our services and our Banking Rewards program.

We supported Camcare, an organisation that helps families and people experiencing hardship. This year, we funded Camcare's 'Inspiring warriors' program, which teaches students and children how to deal with their social and emotional approaches to learning, thinking, and communication and language.

We also helped Samarinda Ashburton Aged Services purchase a new bus, to be used by Samarinda and the local community aged service.

We provided school banking to our local schools, helping children understand basic finance and why it's important to save.

## Achievements

Although it has been a very challenging and disappointing year growth wise, the team continued to focus on identifying opportunities to grow our business and improve our customer service and in particular:

- Building strong relationships with committee members of local community organisations.
- Delivering exceptional services to local businesses and our existing customers.

Pleasingly, customer compliments and feedback throughout the year acknowledged the team's commitment to deliver services that exceed customers' expectations.

## Challenges


The past 12 months have been challenging for the Ashburton Branch. Several external factors meant we missed our lending and deposit targets:

- Property sales from customers in the area downsizing reduced our lending business.
- Restrictions on business lending also affected our lending result.
- Changes in customers' investment strategies and customer property purchases both reduced deposits.

The focus for the year ahead will be to connect with our local businesses and professionals to drive lending and deposit opportunities via business development activities. We will also work closely with our community groups encouraging the committees and members to support us with their individual banking.

Growing deposits continues to be a challenge, this is largely due to the highly competitive rates within the deposit sector.

## Total footings

 \$127.9m

### Growth

#### Lending Growth

2018	-\$0.5 m	▼	-0.8%
2017	\$9.1m	▲	17.3%

#### Deposit Growth

2018	-\$5.5m	▼	-8.0%
2017	\$9.0m	▲	15.0%

#### Other Business Growth

2018	\$0.1m	▲	3.0%
2017	\$1.1m	▲	46.8%

#### Total Growth

2018	-\$6 m	▼	-4.5%
2017	\$19.2m	▲	16.7%



# Community Report

The Community Investment Program has put more than three quarters of a million dollars into local community projects and initiatives in the past 12 months. Our investment of profits directly back to the local community enables those who bank with to see the difference their banking makes in their community.

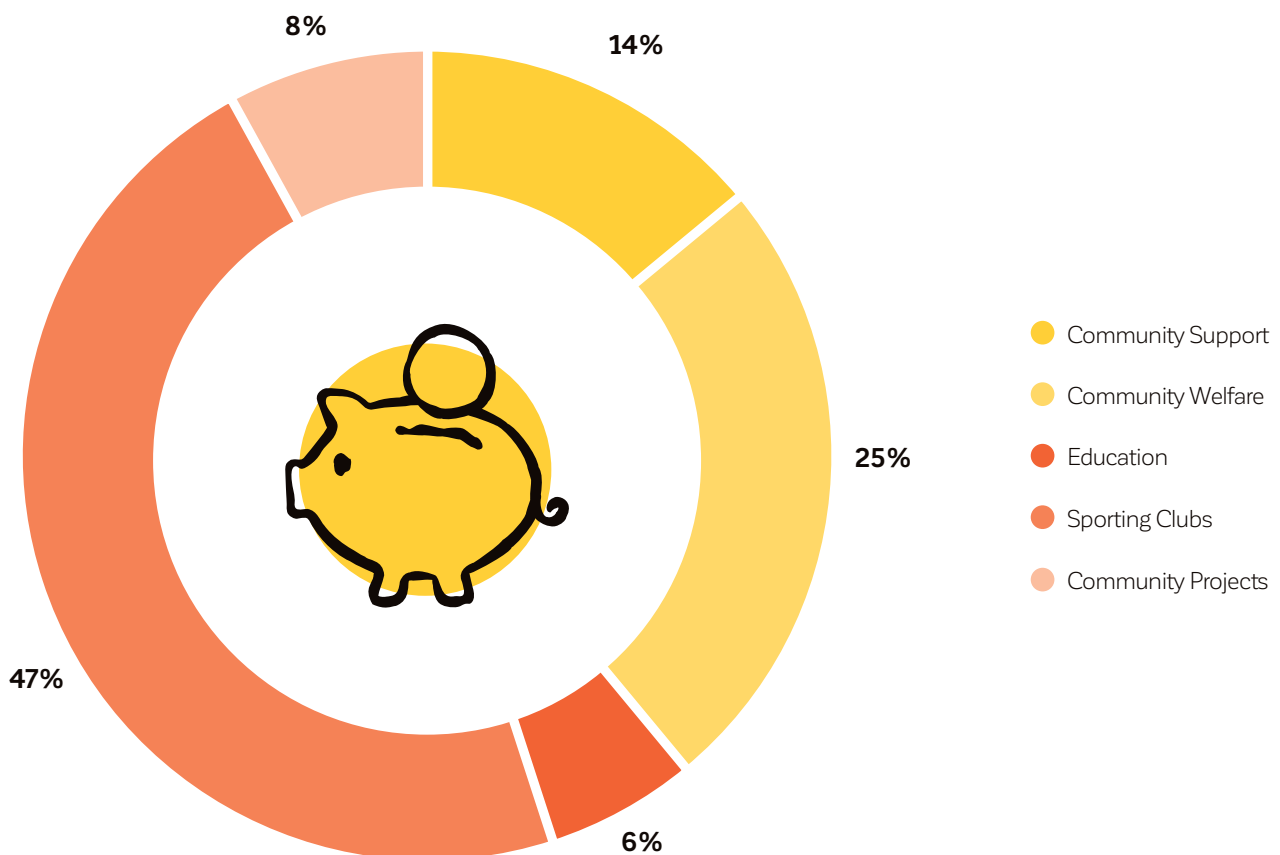
There are numerous projects seeking financial support from our Community Bank® branches, many of which won't come to fruition without our support. Our continued support relies on banking growth through local people choosing to bank locally.

## Total Community Investment:



\$4,460,716.28\*

## Total Community Investment since 2003



\*This amount excludes return to Shareholders made through the payment of Dividends.



*"We will keep working with clubs and organisations to drive business growth, which in turn grows profits and allow us to expand the Community Investment Program even further."*

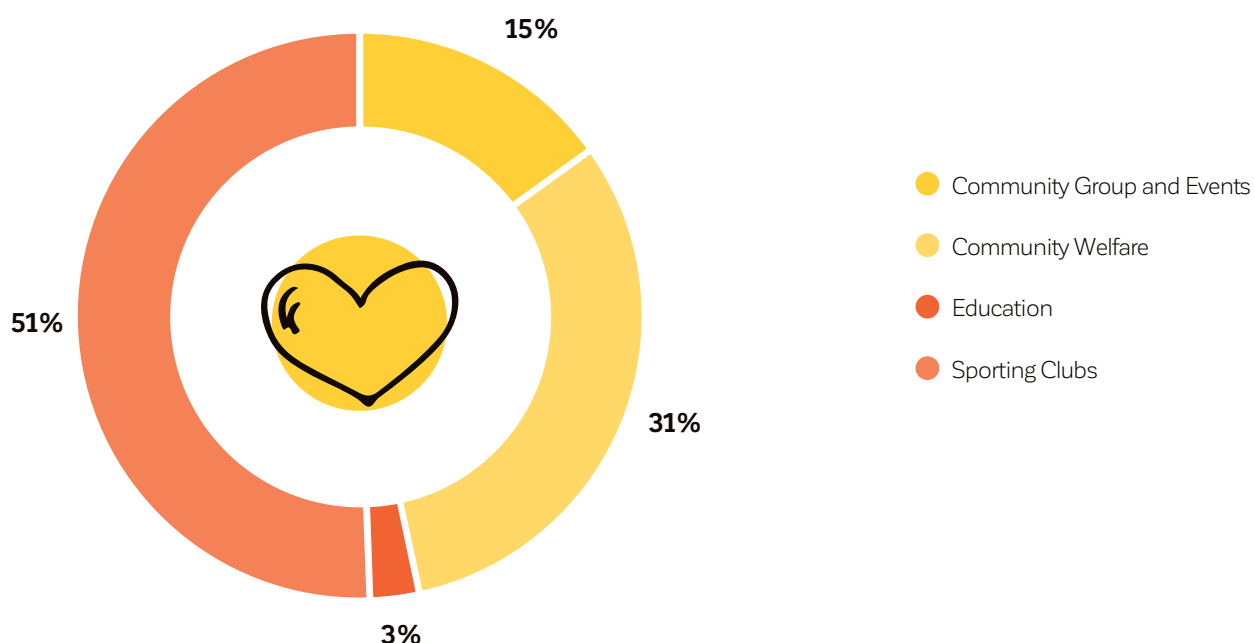
## Total Community Investment 2018

In 2018, the Community Investment Program provided support to 110 community organisations. More than 28% of these community groups received both sponsorship and incentive payments. Organisations receive incentive payments as reward for banking referrals. It's our way of recognising the groups for the banking business their members generate, which provides

a valued revenue stream. We will keep working with clubs and organisations to drive business growth, which in turn grows profits and allow us to expand the Community Investment Program even further.

In 2017–18, we allocated funds across the various organisational categories in proportion with our longer term investments.

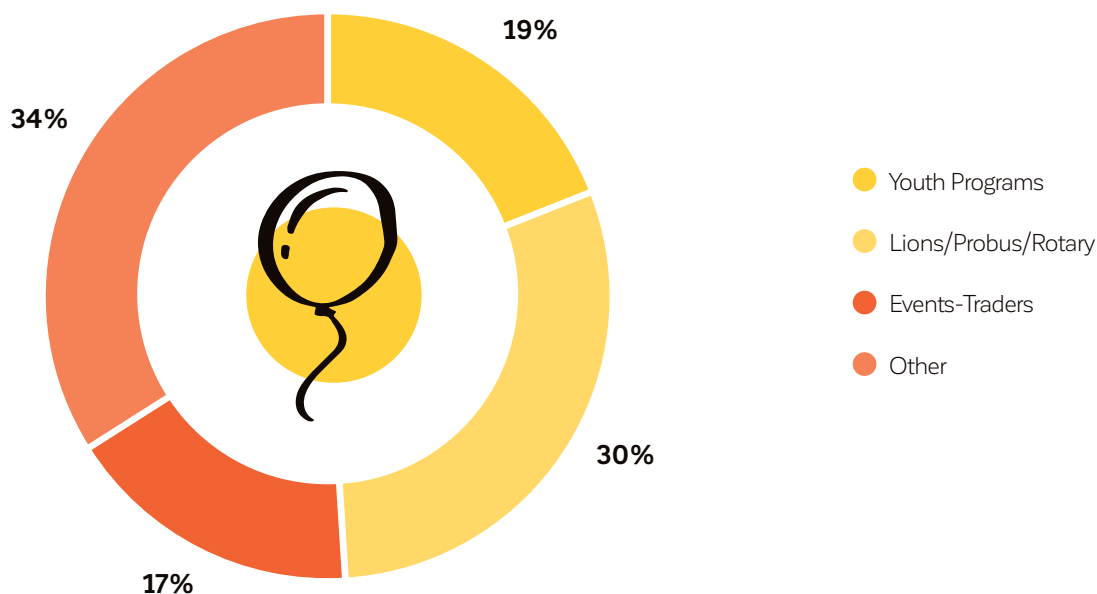
## 2018 Contributions by Category



## Community Groups & Events

This part of our Community Investment Program includes special interest groups, community and trader events, and our investment into youth programs. In 2018, we supported local traders

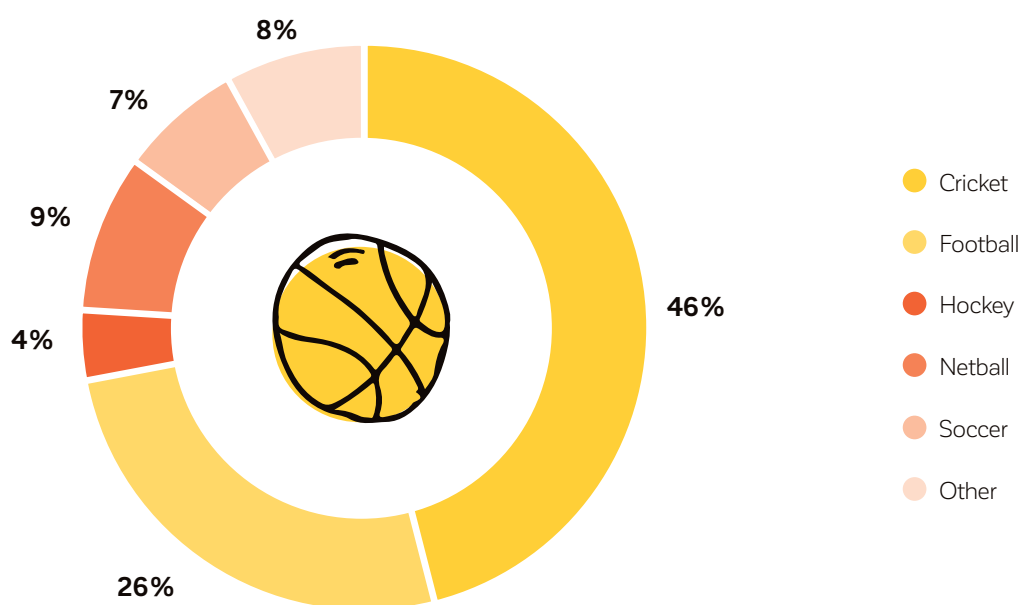
associations and their associated events, as well as a large Rotary project. We contributed significantly to local youth, through the Boroondara Youth Foundation, the Magic Moments Foundation and our Business Boardroom Program.



## Sporting Clubs

We distributed our investments in sporting clubs across more than 10 sports, demonstrating our commitment to supporting this broad sector. We support clubs that provide opportunities

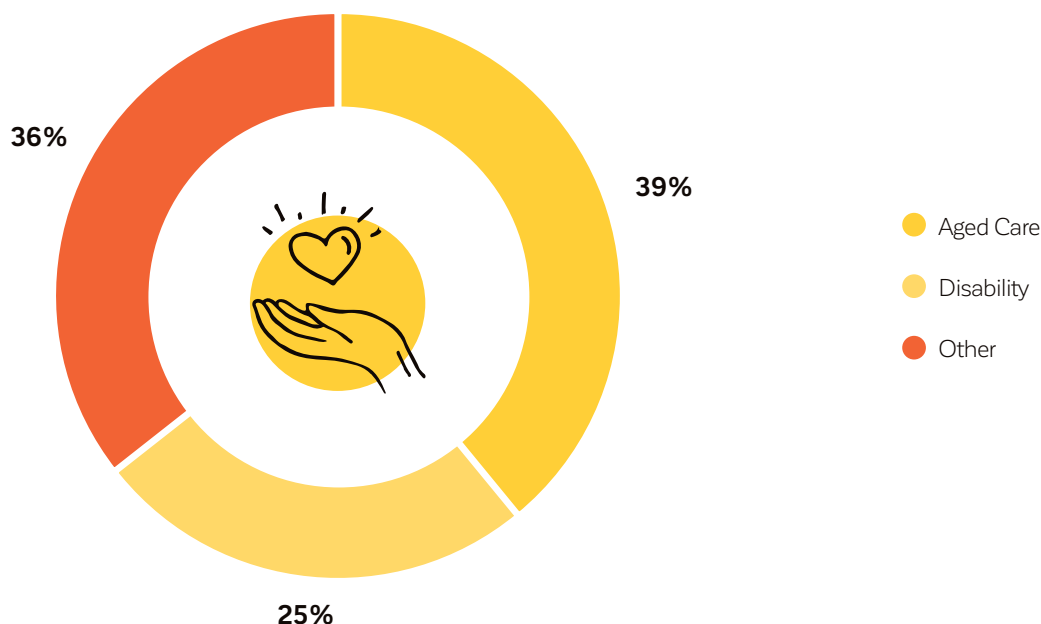
to all ages, gender and ability. Cricket clubs received significant funding supporting facility upgrades. Many clubs are installing electronic scoreboards and we have supported these projects through funding.



## Community Support

Community Support includes aged care & seniors, welfare and disability support. These organisations received 31% of our total investment and provide highly valued services and opportunities to this important sector. Our funding helped activities such as

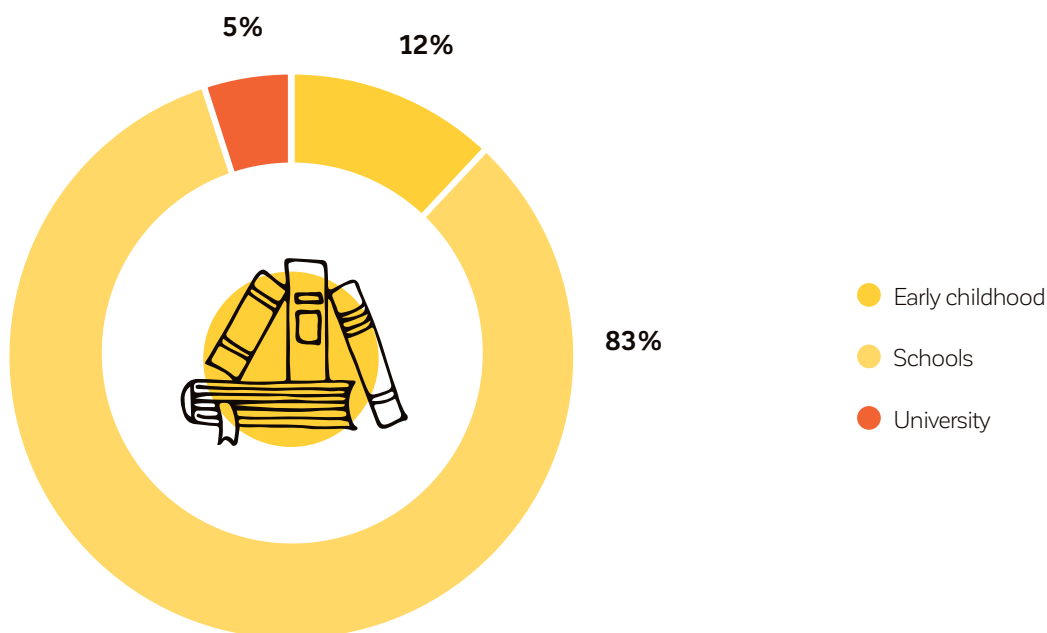
purchasing two buses to transport people with a disability and aged care residents, a recreational facility at an aged care centre and funding for the implementation of support programs for people impacted by domestic violence.



## Education

In 2018, we continued supporting schools and early childhood organisations. We support school and preschool events and functions, and fund purchases such as equipment and sporting uniforms. This year we funded the installation of bike racks at a local primary school and the establishment

of an outdoor classroom. We continued to fund a leadership program, leadership awards and a financial inclusion program at Swinburne University. We have several School Banking programs, giving children a banking experience while they save for the future, and an opportunity for school families to move their banking to the Community Bank®.



# Directors' Profiles



**Juliann Ruth Byron, Chairman — Non Executive**

*BCom, Grad Dip CM, FCPA, FAICD, AGIA, ACIS*

Juliann has extensive experience in the accounting and finance fields. She has also provided corporate secretarial, management and governance consulting services over many years, and is a non-executive Director on public and not for profit company boards. Juliann is a member of the Finance Committee, Staff Committee, Events Committee and the Audit & Governance Committee. As Chairman, she also attends other committee meetings as required.



**Robert Einar Stensholt, Deputy Chairman — Non Executive**

*BA, BD(Hons), M Int Law, Dip Phil*

Bob has had an extensive career including roles as a senior diplomat, Assistant Director General for AusAID, senior research fellow, consultant and for over ten years as the state Member of Parliament for Burwood. Until recently Bob was a Chief of Staff to a Victorian Government Minister. Bob is a member of the Community Investment & Marketing Committee and is a member of the Finance Committee.



**Hans Diederick (Dick) Menting Director — Non Executive**

*BCom, MBA, MAICD*

Dick was the foundation Chairman of Canterbury Surrey Hills Community Finance Ltd and previously spent 35 years in banking, finance and administration. Dick retired as a Councillor for Boroondara City Council and continues to run a local small business. He is Chairman of the East Melbourne Collaborative Group for Cricket Victoria. Dick is the previous Chief Executive Officer, Chairman of the Staff Committee and a member of the Finance Committee and the Community Investment & Marketing Committee.



**Damien Leo Hudson, Director — Non Executive**

Damien has over 15 years experience in local real estate and community organisations. In 2011, Damien established "Opening Halls", a business providing management and consultancy services to community organisations focusing on revenue generation, marketing and membership. He currently consults to several major clients, predominately in Victoria. Damien is the Chairman of the Events Committee.



**Daizy Maan, Director — Non Executive**

Daizy was appointed to the Board in February 2016 after serving as Chairman of the Youth Advisory Committee for one year. Daizy manages Deakin University's innovation and entrepreneurship program SPARK Deakin and is making a meaningful contribution to the community through her involvement in Social Enterprise Collective (SeCo) and various other volunteer roles. She has volunteered for the Boroondara Youth Foundation for 5 years and continues to advocate for the foundation. Daizy is the Chairman of the Youth Advisory Committee.



**Andrew Graham Whittaker, Director — Non Executive**

*FCA, GAICD*

Andrew has over 40 years' experience in a variety of professional services and senior executive roles. He was formerly a partner with PwC and Ferrier Hodgson and has worked across a variety of industry sectors, including banking, providing performance improvement and governance advice. Andrew is Chairman of the Community Investment and Marketing Committee and is a member of the Finance Committee.



**James Craig Grant, Director — Non Executive**

*B.Ec(Accounting), Grad Dip. Finance and Investment, Dip. Financial Planning*

James has spent over 35 years in banking and finance, financial planning and dispute resolution in these areas. He has extensive client facing and senior management experience in banking and finance and wealth management products, services and their delivery to business and wealthy clients. James is the Chairman of the Staff Committee and is a member of the Finance Committee.



## **Treasurer**

**Ian Adrian Dinnison, Treasurer**

*LLB, BEc*

Ian was appointed Treasurer effective 1 December 2016. He has over thirty five years experience in industry, government departments and professional services firms in financial and management roles. He is Chairman of the Finance Committee and attends the Board and Audit & Governance Committee meetings as required as a non-voting member.

# Governance Report

**For year ending 30 June 2018**

Canterbury Surrey Hills Community Finance Limited (“the Company”) is listed on the National Stock Exchange (“NSX”). The ASX Corporate Governance Council’s — Principles of Good Corporate Governance and Best Practice Recommendations (“ASX Principles”) are not compulsory for NSX listed companies. However, this report addresses both the corporate governance issues identified by the NSX<sup>1</sup> and the ASX Principles (3rd edition) in its report on its Governance Framework.

The Company places great importance on its governance framework, adopting a proactive approach to ensure the structures, values and behaviours of the Company have the interests of its stakeholders as a focus.

## Policies & Procedures to ensure compliance with the law

The Company has adopted the following governance strategies, policies and procedures to ensure it complies with the law, including the Corporations Act and the NSX Listing Rules:

**Board Governance Framework** — The Board has identified and documented the roles and obligations of its Directors and Officers in a Board Governance Framework. The Board Governance Framework promotes ethical, considered and independent judgment of the matters before the Board, set out as a Code of Conduct. It highlights the statutory obligations on Directors and Officers generally and also sets out the expectations that are placed on them in terms of the time dedicated to the Company’s affairs.

**Monthly Secretary Reports** — The Company Secretary provides a report to the Board each month regarding the various compliance obligations and notes any outstanding matters. The Company Secretary manages all NSX and ASIC reporting requirements, and monitors compliance with the Franchise Agreement and Company’s Constitution.

**Compliance Calendar** — The compliance requirements have been defined and listed in a Compliance Calendar, which is reviewed by the Audit & Governance Committee monthly. The individual items due for completion are reported by the Company Secretary to the Board each month. Share Trading Policy — All staff including Directors and Officers are not permitted to trade in the Company’s shares except during two periods following the disclosure of the Company’s accounts, and provided that they are not in possession of “Inside Information”.

**Privacy Policy** — The requirements of the Australian Privacy Principles have been incorporated into a Privacy Policy that considers the privacy of shareholders, community groups and other stakeholders.

**Audit & Governance Committee** — This Board Committee has a special role in ensuring the Company complies with its corporate governance obligations and requirements. More details are set out below.

## Policies & Procedures to ensure the Board acts with due care and diligence and in the interests of its shareholders

### Company Structure

Our Company does not have an extensive executive structure because of its scale and the desire of the Board to be directly connected to the local community. The executive consists of the Senior Manager; Company Treasurer and Company Secretary.

Due to the size and scale of the Company, Directors are heavily involved in many practical roles such as marketing and risk management that might otherwise be overseen by an executive in a larger company. Directors are not specifically remunerated for this (see details of this policy in the Remuneration Report on page 32). The Board in conjunction with the Finance Committee monitor and review remuneration annually.

<sup>1</sup>NSX Practice Note 14: Corporate Governance disclosure in Annual Reports

## Company Structure



## Governance & Assurance



## Independent Assurance

EXTERNAL AUDITORS

BENDIGO BANK LEADING  
& OPERATORS AUDITS

Details of each Board Committee is provided below.

The Board Governance Framework established a list of responsibilities that were delegated to Committees or Officers, and also ensured certain responsibilities remained the responsibility of the Board. This has been developed into a comprehensive Delegations Register, which identifies the specific officer with delegated authority from the Board and any limits that apply to that delegated authority.

It is the Board's policy that a majority of its Directors are independent. This is currently the case.

### Board Performance Review

The Board Governance Framework identifies how the Board's performance is reviewed. The broad policy requires:

- The Audit & Governance Committee to prepare a review of the Board as a whole annually. This may be an externally facilitated review if the Board considers this necessary;
- The Chairman and the Chair of the Audit & Governance Committee to review the performance of the Committees annually;

- The Chairman to meet with each Director annually to review each Director's personal performance.

The Senior Manager has a documented performance plan that is approved by the Board annually for the following calendar year and this is monitored by the Chairman.

### Role of the Chairman

The Chairman's role is defined in the Board Governance Framework and is responsible for a range of roles that deal with leadership of the Board and the Company generally. The principal role is to facilitate effective discussion and decision making at Board meetings of material relevant to the conduct of the Company. The Chairman must be an independent, non-executive director.

### Role of the Senior Manager

The Senior Manager provides leadership to programs that broadly include implementation of strategy, business growth, asset management, communications and community relations. The Senior Manager is responsible for the banking operations and provides the Board with a direct link to Bendigo Bank and its systems and procedures.

## Board Appointments

The Board has prepared a Skills Matrix to identify the various skills and experience of its current members and to assist it to identify the skills that need to be recruited to the Board in the future. The Board does not have a standing Nominations Committee, but will appoint a Nominations Committee from time to time when considering the appointment of a new Director. All new Directors must satisfy a comprehensive due diligence process that meets the requirements of the Company's and Bendigo Bank's risk management systems.

Directors are elected by shareholders for a maximum of three years with retirements on a rotating basis. The Chairman, as part of her annual discussion with Directors, will canvas each Director's view of their future plans to remain on the Board. The Board Governance Framework considers the ongoing succession planning for the Board's composition.

An induction procedure is in place to ensure all new Directors are able to learn as much about the Company as possible in a short time frame and contribute to the Board's functions as soon as possible.

The Board does not have a formal diversity policy because of the scale of the Company and the small geographic area the Company serves. The Board does have an aspiration to have greater gender balance on the Board, but is mindful that service on the Board is not remunerated on commercial terms and the limitations this creates.

## Policies and Procedures to identify and deal with conflicts of interest

The Company maintains a Conflicts of Interest Register to record each Director ongoing material personal interests. The Register is managed by the Company Secretary and is tabled at each Board meeting. Every Board and Committee meeting also has a scheduled item calling for participants to declare any actual or potential conflicts of interest with the scheduled agenda items.

This Register is supported by a written policy on how actual and potential conflicts of interest must be managed. Conflicted Directors are required to be absent from discussions on the conflicted issue. The policy also defines how a decision to obtain products or services from a Director must be taken, including ensuring the transactions is on arms length terms.

## Policies and Procedures to protect the interests of shareholders

### Communication Procedures

The Company aims to provide timely and relevant information to shareholders throughout the year via its website. The Company also releases a number of newsletters in both electronic and written form, which are sent directly to shareholders. It also writes

directly to shareholders when the Board considers information is sufficiently important.

The Company applies a rigorous process regarding its continuous disclosure obligations in order to comply with the requirements of the Corporations Act. These disclosures are published on the NSX website at: [www.nsx.com.au/summary/CSH](http://www.nsx.com.au/summary/CSH)

The Company website includes an investor section with greater information resources. The Company recognises the importance of its Governance Framework and provides all stakeholders with access to this information on the website at: [www.supportingourcommunity.com.au/investor-relations](http://www.supportingourcommunity.com.au/investor-relations)

Shareholders are able to access forms and assistance for the management of their shareholding from the Company's share registry provider at: [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

## Risk Management

The Company has developed its own formal Risk Management System ("RMS") and tools to identify and record the various risks to the Company and its business. The RMS is based on the international standard *ISO 31000-2009 Risk Management* and is monitored by the Audit & Governance Committee.

Bendigo & Adelaide Bank Limited ("Bendigo Bank"), as the franchisor to the Company, provides support for the development and implementation of the RMS. Bendigo Bank provides an internal audit system for the operational and lending risks to each branch and reports the results of these audit visits to the Senior Manager and the Board. The Audit & Governance Committee monitor these reports and review the implementation of any recommended changes and meet with the Senior Manager every six months to discuss any trends in the internal audit findings. The Committee may also interview Bendigo Audit staff from time to time to discuss the findings from these audits. It also monitors and reviews the Company's risks and risk appetite annually.

## Policies and Procedures to protect the interests of other stakeholders

### Staff Committee

The Staff Committee manages policy issues regarding the Company's employees including remuneration policies, communication with the employees, reward and incentive programs and development pathways. More information is set out below.

### Political Donations

The terms of reference for the Community Investment & Marketing Committee prohibit that Committee from considering donations, grants or sponsorship for political or religious purposes, except in limited circumstances (such as fetes or events) for the purposes of tolerance and understanding. The Company has made no political donations during the 2017-18 financial year.

## **Committees of the Board**

All Committees have been established by the Board and each have a written terms of reference. The Director's appointed to each Committee are set out in the Directors Report on page 31, with additional members set out below.

### **Audit & Governance Committee**

The Audit & Governance Committee has been established to review (and where appropriate, recommend changes to) the Company's processes and systems. The Committee has developed an annual workplan to ensure it considers a range of issues and to review at least one written policy at each meeting.

The Board has considered the appropriateness of the Company Secretary and the Board Chairman being on this Committee and taken into account the scale of the Company and the qualifications and experience of these officers. The Board appointed Bob Stensholt as Committee Chairman to replace Michael Sapountzis in May 2018. Michael Sapountzis remains a member of the Committee.

### **Finance Committee**

The Finance Committee has been established to review, monitor and report on finance strategy and direction, financial performance and reporting, financial risk, investments of the Company and shareholders' rights. It also provides the primary input into budget preparation for the Board to approve. The Board has appointed Ian Dinnison as Committee Chairman.

### **Community Investment & Marketing Committee**

The Community Investment and Marketing Committee has been established to facilitate Community Investment. It considers how these investments will contribute to the growth of the Company, how they can position our branches as the primary choice of the community for local banking and how we can promote these activities to the community.

The Board has delegated the Committee with an authority to approve sponsorships and grants up to \$20,000. Applications for more than this amount must be considered by the Board of Directors.

### **Staff Committee**

The Staff Committee has been established to create and share business success with employees and to facilitate communications throughout the Company. The Committee develops and monitors staffing policies that do not relate to the banking procedures, and oversees the staff remuneration processes. The banking procedures are determined and monitored by Bendigo Bank in accordance with the Franchise Agreement. The Board has appointed Leigh Smith as a member of the Committee.

## **Events Committee**

The Events Committee has been established to plan and coordinate events that are undertaken by the Company. The Company is serious about its role as a member of our local community, and participates in a range of community events, all of which need substantial coordination. The Board has appointed Di Gillies as a community member of the Committee.

### **Youth Advisory Committee**

The Youth Advisory Committee has been established to manage various programs run by the Company, such as the Business Boardroom Program, Magic Moments program and the Boroondara Youth Foundation. This Committee provides advice and guidance to the Board on issues that affect local youth and on ways to increase the banking effectiveness to the youth market.

The Committee also involves the designated youth officer from each of our four branches. The Board has appointed Nikhil Selvaratnam as a member of the Committee as well as Michel Nehme as a community member of the Committee.

# Directors' Report

Your Directors submit their report of the Company for the financial year ended 30 June 2018.

## Directors

The names of the Company's Directors in office during the financial year and since the end of the financial year, including their skills, experience and responsibilities of the Directors at the date of this report are set out on page 24–25.

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

## Review and results of operations

The review of operations is set out on page 12–13.

## Significant Changes in the state of affairs

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

## Principal activities

The principal activities of the Company during the course of the financial period were in providing Community Bank® services under management rights to operate four franchised branches of Bendigo and Adelaide Bank Limited in Canterbury, Surrey Hills, Ashburton and Balwyn, Victoria. There have been no significant changes in the nature of these activities during the year.

## Significant events after the balance date

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

## Likely developments

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

## Environmental regulations

The Company is not subject to any significant environmental regulations.

## Proceedings on behalf of the Company

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

## Dividends

A fully franked dividend of 6 cents per share was declared and paid in the year ended 30 June 2018 (2017: 6 cents).

## Share Options

The Company has granted no options on unissued shares at any time.

## Indemnification and insurance of Directors and Officers

The Company is required under its constitution to indemnify each Officer of the Company out of assets of the Company to the relevant extent against any liability incurred by that Officer arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company has Directors and Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an Auditor of the Company or a related body corporate.

## Company Secretary

Michael Sapountzis was appointed Company Secretary on 25 January 2017. He has extensive experience in providing high level executive support, governance advice and managing the regulatory requirements for a variety of Boards including listed public and unlisted companies. Michael holds a Graduate Diploma of Applied Corporate Governance and Graduate Diploma of Legal Practice. He also holds a Bachelor of Commerce (Finance) and a Bachelor of Laws (Hons).

## Directors Meetings

During the financial year, the Directors conducted the following number of meetings for the Board as a whole and each Committee

(listed together with the attendance record of each Director). Attendances by each Director during the year were as follows:

Director	Board		Audit & Governance Committee		Finance Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Juliann Ruth Byron	11	11	6	5	9	9
Damien Leo Hudson	11	10	-	-	-	-
Daizy Maan	11	8	6	4	-	-
Hans Diederick Menting	11	7	-	-	9	6
James Craig Grant	11	9	-	-	9	7
Robert Einar Stensholt	11	10	-	-	9	9
Andrew Graham Whittaker	11	10	-	-	9	9

Director	Community Investment & Marketing Committee		Youth Advisory Committee		Staff Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Juliann Ruth Byron	11	8	2	1	5	5
Damien Leo Hudson	-	-	-	-	-	-
Daizy Maan	-	-	2	2	-	-
Hans Diederick Menting	11	7	-	-	2	1
James Craig Grant	-	-	-	-	5	5
Robert Einar Stensholt	11	11	-	-	-	-
Andrew Graham Whittaker	11	11	-	-	-	-

Director	Events Committee	
	Eligible	Attended
Juliann Ruth Byron	8	6
Damien Leo Hudson	8	8
Daizy Maan	-	-
Hans Diederick Menting	-	-
James Craig Grant	-	-
Robert Einar Stensholt	4	3
Andrew Graham Whittaker	-	-

## Directors Interests

The Directors hold the following interests in the Company as at the 30 June 2018:

Name	Number of Shares Held		30 June 2018	30 June 2017
	Directly	Indirectly	Total	Total
Juliann Ruth Byron	2,200	7,600	9,800	9,800
Hans Diederick Menting	55,202	0	55,202	50,552
Robert Einar Stensholt	20,350	0	20,350	20,350
Damien Leo Hudson	14,582	0	14,582	14,582
Daizy Maan	0	0	0	0
Andrew Graham Whittaker	0	0	0	0
James Craig Grant	2,500	0	2,500	2,500

## Non-audit services

The amount paid or payable to the Auditor (Richmond Sinnott & Delahunty) for non-audit services provided during the year ended 30 June 2018 was \$1,365 (2017: \$9,758).

The Directors are satisfied that the provisions of non-audit services by the Auditor did not compromise the Auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit & Governance Committee to ensure they do not impact on the impartiality and objectivity of the Auditor; and
- none of the services undermine the general principles relating to Auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

## Remuneration Report

### a) Policies

Director Remuneration: The Company's special position as a for-profit, community-based company places particular restrictions on how it should remunerate its directors. The Board has determined the following policy, which was approved by shareholders at the 2011 Annual General Meeting (AGM) and was last reviewed by the Audit & Governance Committee in August 2016.

Directors will be remunerated by taking into account two issues. Firstly, the Company recognises the personal liability risk that each director of a listed public company bears and has determined a fee for this risk is appropriate. The current fee for this risk is \$7,000 per annum. Each Director is paid this fee, plus superannuation required under the Superannuation Guarantee legislation.

Secondly, certain roles will have a further fee attaching to them as some compensation for the additional work and resources provided by those serving in these positions. The positions and their additional fee are:

Chairman	\$14,000
Treasurer	\$3,000
CIMCO Chairman	\$3,000
Company Secretary	\$3,000

The Company did not engage any remuneration consultants in reviewing its remuneration structure for the 2018 financial year. From 1 July 2011, public companies have additional reporting obligations if they receive a 'no' vote of 25% or higher at their previous AGM. At the 2017 AGM, the Company recorded a 'no' vote of 6.67% (2016: 0.00%) on its remuneration report.

### b) Directors' Remuneration

Director remuneration for the year ended 30 June 2018 is set out in the table below. For the purpose of Section 300A(1)(c) of the Corporations Act 2001, the amount of each prescribed detail is nil unless set out in the table:

	Short Term Employee Benefits		Post Employment Benefits
	Cash Salary	Bonuses	Superannuation
Juliann Ruth Byron	\$21,000	\$0	\$1,995
James Grant	\$7,000	\$0	\$665
Damien Leo Hudson	\$7,000	\$0	\$665
Daizy Maan	\$7,000	\$0	\$665
Hans Diederick Menting	\$7,000	\$0	\$665
Robert Einar Stensholt	\$7,000	\$0	\$665
Andrew Graham Whittaker	\$10,000	\$0	\$950

## Loans to key management personnel

There were no loans to key management personnel during the current or prior reporting period.

End of Remuneration Report.

## Additional Information

In accordance with National Stock Exchange Listing Rule 6.9, the Company provides the following information as at 30 June 2018:

- The principal activities of the Company are described above.
- The Company does not have any subsidiary companies.
- The interests of each director in the Company are set out above.
- The Accounts presented with this report do not differ materially from any forecast previously issued by the Company.
- There are no service contracts for directors that are proposed for election at the forthcoming AGM.
- There are no arrangements under which a director has waived or agreed to waive any emoluments.
- There are no arrangements under which a shareholder has waived or agreed to waive any dividends.



## h. Comparative Table of Financial Results:

	2018(\$)	2017 (\$)	2016 (\$)	2015 (\$)	2014 (\$)
<b>Profit &amp; Loss</b>					
Revenue from operating activities	4,474,134	4,140,906	3,709,155	3,540,644	3,413,402
Total expenses	(3,865,933)	(3,398,555)	(3,220,995)	(3,142,280)	(3,013,408)
Profit from ordinary activities before income tax expense	608,201	742,351	488,160	398,364	399,994
Income tax expense	167,255	206,889	146,449	102,097	122,556
Net profit/loss after tax	440,946	535,462	341,711	296,267	277,438
Net profit/loss attributable to shareholders	440,946	535,462	341,711	296,267	277,438
<b>Balance Sheet</b>					
Current assets	2,694,155	2,445,912	1,782,330	1,769,936	1,580,940
Non-current assets	460,138	624,794	827,327	606,758	713,970
Total assets	3,154,293	3,070,706	2,609,657	2,376,694	2,294,910
Current liabilities	281,614	409,523	302,812	264,324	324,572
Non-current liabilities	18,821	10,957	6,999	-	-
Total liabilities	300,426	420,480	309,811	264,324	324,572
Shareholders' funds	2,853,867	2,650,226	2,299,846	2,112,370	1,970,338
Earnings per share (in cents)	14.53	17.56	11.08	9.60	8.99
Dividends per share (in cents)	6.00	6.00	5.00	5.00	5.00
Net assets value per share (in cents)	94.83	85.91	74.56	68.48	63.87
Price earnings ratio	5.85	3.23	3.82	5.63	5.67

- i. The Treasurer's Report is contained at page 11.
- j. The Corporate Governance Report is contained at page 26.
- k. The following table shows the ten largest shareholders:

Shareholder	Number of Shares	% of issued capital
Adrienne Leslie Murray	110,000	3.65
Thomas Leigh Pty Ltd <The Waring Family S/F A/C>	106,040	3.52
Scipio Nominees Pty Ltd	102,300	3.40
Hans Diederick Menting	55,202	1.83
Kevin Francis McCormack	50,000	1.66
Leigh Smith & Felicity Smith <Atf Eb Investment Fund A/C>	44,000	1.46
Richard Middleton <Atf Marpiz Super Fund A/C>	44,000	1.46
Wayne Austen & Erica Austen	41,800	1.39
Northern Suburbs Secretarial <Atf Juleton A/C>	37,000	1.23
John Henry Anderson & Patricia Noreen Anderson	33,000	1.10

## AUDITOR INDEPENDENCE DECLARATION

The Auditor Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 35.

No Officer of the Company is or has been a partner of the Auditor of the Company.

Signed in accordance with a resolution of the Directors in Melbourne on 29 August 2018.



**Juliann Ruth Byron,**  
Chairman

**Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Canterbury Surrey Hills Community Finance Limited**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 there have been no contraventions of:

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

**RSD Audit**



**Kathie Teasdale**  
Partner  
41A Breen Street  
Bendigo VIC 3550

**Dated:** 30 August 2018

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF CANTERBURY SURREY HILLS COMMUNITY FINANCE LIMITED**

**REPORT ON THE AUDIT OF THE FINANCIAL REPORT**

**Opinion**

We have audited the financial report of Canterbury Surrey Hills Community Finance Limited, which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion:

- (a) the financial report of Canterbury Surrey Hills Community Finance Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the year then ended; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

**Basis for Opinion**

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

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

**Independence**

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

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report or the year ended 30 June 2018. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Matter
<b>Taxation</b>	
<p>The application of taxation legislation to the Company's accounts is inherently complex and requires judgement to be exercised in relation to estimating tax exposures and quantifying provisions and liabilities.</p> <p>Further disclosure regarding Taxation can be found at Note 1(f) <i>Critical Accounting Estimates and Judgements</i> and Note 4 <i>Income Tax</i>.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Reviewed the income taxation calculations prepared and are satisfied that the calculations are in accordance with the accounting standards and applicable income tax legislation.</li> <li>• Tested the assumptions and forecast taxable income supporting deferred tax assets</li> <li>• Considered the appropriateness of the Company's disclosures regarding current tax matters</li> <li>• Assessed the consistency of assumptions used in estimating provisions and liabilities.</li> </ul>
<b>Employee Provisions</b>	
<p>The valuation of employee entitlements are subject to complex estimation techniques and significant judgement. Assumptions required for wage growth and CPI movements, coupled with the estimated likelihood of employees reaching unconditional services is estimated.</p> <p>A small change in assumptions can have a material impact on the financial statements.</p> <p>Further disclosure regarding Employee Provisions can be found at Note 1(f) <i>Critical Accounting Estimates and Judgements</i> and Note 14 <i>Provisions</i>.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Reviewed the employee entitlement calculations and are satisfied that they calculations are in accordance with applicable accounting standards.</li> <li>• Tested the accuracy of the calculations and models used to calculate employee entitlement provisions.</li> <li>• Evaluated the assumptions applied in calculating employee entitlements such as the discount rate and the probability of long service leave vesting conditions being met.</li> </ul>

## Director's Responsibility for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the 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 Responsibility

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

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

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

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

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

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

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

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

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

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

#### **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. On connection with our audit of the financial report, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## REPORT ON THE AUDIT OF THE REMUNERATION REPORT

### Auditor's Opinion on the Remuneration Report

We have audited the remuneration report included in pages 30 to 33 of the director's report for the year ended 30 June 2018. The directors of the Company are responsible for the preparation and presentation of the remuneration report and in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

In our opinion, the remuneration report of Canterbury Surrey Hills Community Finance Limited, for the year ended 30 June 2018 is in accordance with s300A of the *Corporations Act 2001*.

### Responsibilities for the Remuneration Report

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

RSD AUDIT

A handwritten signature in blue ink, appearing to read 'Kathie Teasdale'.

**Kathie Teasdale**

Partner

Bendigo

Dated: 30 August 2018

# Financial Statements

## Statement of Profit/Loss and other comprehensive income

		2018	2017
	Note	\$	\$
<b>Revenue</b>	2	4,474,134	4,140,906
<b>Expenses</b>			
Employee benefits expense	3	(2,021,512)	(1,734,908)
Depreciation and amortisation	3	(113,219)	(115,555)
Administration and general costs		(589,743)	(546,984)
Rental expenses		(428,819)	(430,283)
<b>Operating profit before charitable donations and sponsorships</b>		<b>1,320,841</b>	<b>1,313,176</b>
Charitable donations and sponsorships		(712,640)	(570,825)
<b>Profit before income tax</b>		<b>608,201</b>	<b>742,351</b>
Income tax expense	4	(167,255)	(206,889)
<b>Profit for the year after income tax</b>		<b>440,946</b>	<b>535,462</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>440,946</b>	<b>535,462</b>
Profit attributable to members of the company		440,946	535,462
<b>Total comprehensive income attributable to members of the company</b>		<b>440,946</b>	<b>535,462</b>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):</b>			
- basic earnings per share	17	14.53	17.36

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

## Statement of Financial Position

		2018	2017
	Note	\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	(12,004)	261,493
Trade and other receivables	6	406,876	394,441
Investments and other financial assets	7	2,200,000	1,716,556
Other assets	8	99,283	73,422
<b>Total current assets</b>		<b>2,694,155</b>	<b>2,445,912</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	329,985	380,564
Investments and other financial assets	7	-	100,000
Intangible assets	10	103,643	96,878
Deferred tax assets	4	26,510	17,216
Other assets	8	-	30,136
<b>Total non-current assets</b>		<b>460,138</b>	<b>624,794</b>
<b>Total assets</b>		<b>3,154,293</b>	<b>3,070,706</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	12	160,909	247,698
Current tax liability	4	27,659	96,815
Provisions	13	93,046	65,010
<b>Total current liabilities</b>		<b>281,614</b>	<b>409,523</b>
<b>Non-current liabilities</b>			
Provisions	13	18,812	10,957
<b>Total non-current liabilities</b>		<b>18,812</b>	<b>10,957</b>
<b>Total liabilities</b>		<b>300,426</b>	<b>420,480</b>
<b>Net assets</b>		<b>2,853,867</b>	<b>2,650,226</b>
<b>Equity</b>			
Issued capital	14	1,483,908	1,536,989
Retained earnings	15	1,369,959	1,113,237
<b>Total equity</b>		<b>2,853,867</b>	<b>2,650,226</b>

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

## Statement of Changes in Equity

	Note	Issued capital	Retained earnings	Total equity
		\$	\$	\$
<b>Balance at 1 July 2017</b>		1,536,989	1,113,237	2,650,226
Comprehensive income for the year				
Profit for the year		-	440,946	440,946
		-	<b>440,946</b>	<b>440,946</b>
Transactions with owners in their capacity as owners				
Share buy-backs	14	(53,081)	-	(53,081)
Dividends paid or provided	16	-	(184,224)	(184,224)
<b>Balance at 30 June 2018</b>		<b>1,483,908</b>	<b>1,369,959</b>	<b>2,853,867</b>
<b>Balance at 1 July 2016</b>		1,536,989	762,857	2,299,846
Comprehensive income for the year				
Profit for the year		-	535,462	535,462
		-	<b>535,462</b>	<b>535,462</b>
Transactions with owners in their capacity as owners				
Dividends paid or provided	16	-	(185,082)	(185,082)
<b>Balance at 30 June 2017</b>		<b>1,536,989</b>	<b>1,113,237</b>	<b>2,650,226</b>

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

## Statement of Cash Flows

		2018	2017
	Note	\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		4,849,589	4,251,681
Payments to suppliers and employees		(4,243,414)	(3,419,614)
Interest received		56,187	45,807
Income tax paid		(245,705)	(155,714)
<b>Net cash flows provided by operating activities</b>	18b	<b>416,657</b>	<b>722,160</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		(12,112)	(31,178)
Purchase of investments and other financial assets		(383,444)	(565,556)
Purchase of intangible assets		(57,293)	(67,153)
<b>Net cash flows used in investing activities</b>		<b>(452,849)</b>	<b>(663,887)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(184,224)	(185,082)
Payment for share buy-back		(53,081)	-
<b>Net cash flows used in financing activities</b>		<b>(237,305)</b>	<b>(185,082)</b>
<b>Net decrease in cash held</b>		<b>(273,497)</b>	<b>(126,809)</b>
Cash and cash equivalents at beginning of financial year		261,493	388,302
<b>Cash and cash equivalents at end of financial year</b>	18a	<b>(12,004)</b>	<b>261,493</b>

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

These financial statements and notes represent those of Canterbury Surrey Hills Community Finance Limited.

Canterbury Surrey Hills Community Finance Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 29 August 2018.

## 1. Summary of significant accounting policies

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

#### Franchise Relationship

The company has entered into franchise agreements with Bendigo and Adelaide Bank Limited that govern the management of the Community Bank® branches at Canterbury, Surrey Hills, Ashburton and Balwyn.

All transactions with customers conducted through the company's branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

### (b) Impairment of assets

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

### (c) Goods and services tax (GST)

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

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

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

### (d) Comparative figures

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

### (e) Critical accounting estimates and judgements

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

#### *Estimation of useful lives of assets*

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

#### *Fair value assessment of non-current physical assets*

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

#### *Employee benefits provision*

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

#### *Income tax*

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

### **Impairment**

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

### **(f) New and revised standards that are effective for these financial statements**

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

### **(g) New accounting standards for application in future periods**

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

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

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

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

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

- a.** Financial assets that are debt instruments will be classified based on:
  - (i) the objective of the entity's business model for managing the financial assets; and
  - (ii) the characteristics of the contractual cash flows.
- b.** Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- c.** Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.
- d.** Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;

- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

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

## 2. Revenue

	2018	2017
	\$	\$
Revenue		
- service commissions	4,417,947	4,095,099
	4,417,947	4,095,099
Other revenue		
- interest received	56,187	45,807
	56,187	45,807
<b>Total revenue</b>	<b>4,474,134</b>	<b>4,140,906</b>

Revenue arises from the rendering of services through its franchise agreements with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding any rebate and trade discounts allowed.

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

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

All revenue is stated net of the amount of GST.

### 3. Expenses

	2018	2017
	\$	\$
<b>Profit before income tax includes the following specific expenses:</b>		
Employee benefits expense		
- wages and salaries	1,660,489	1,464,670
- superannuation costs	156,285	133,858
- other costs	204,738	136,380
	<b>2,021,512</b>	<b>1,734,908</b>
Depreciation and amortisation		
Depreciation		
- plant and equipment	1,106	694
- leasehold improvements	61,585	59,258
	<b>62,691</b>	<b>59,952</b>
Amortisation		
- franchise fees	50,528	45,833
- establishment costs	-	9,770
	<b>50,528</b>	<b>55,603</b>
Total depreciation and amortisation	<b>113,219</b>	<b>115,555</b>
Auditors' remuneration		
- Audit or review of the financial report	7,443	3,800
- Share registry services	1,365	9,758
	<b>8,808</b>	<b>13,558</b>

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

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

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

Class of asset	Rate	Method
Leasehold improvements	3%	Straight line
Plant and equipment	7-34%	Straight line

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise.

## 4. Income tax

	2018	2017
	\$	\$
<b>a. The components of tax expense comprise:</b>		
Current tax expense	176,549	202,692
Deferred tax expense	(9,294)	4,197
	<b>167,255</b>	<b>206,889</b>
<b>b. Prima facie tax payable</b>		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2017: 27.5%)	167,255	204,147
Add tax effect of:		
- Non-deductible expenses	-	958
- Change in company tax rate	-	1,784
<b>Income tax attributable to the company</b>	<b>167,255</b>	<b>206,889</b>
The applicable weighted average effective tax rate is:	27.50%	27.87%
<b>c. Current tax liability</b>		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	96,815	49,836
Income tax paid	(245,705)	(155,713)
Current tax	176,549	202,692
	<b>27,659</b>	<b>96,815</b>
<b>d. Deferred tax asset</b>		
Deferred tax relates to the following:		
<b>Deferred tax assets comprise:</b>		
Superannuation payable	-	213
Accruals	1,942	3,215
Employee provisions	30,761	20,891
	<b>32,703</b>	<b>24,319</b>
<b>Deferred tax liabilities comprise:</b>		
Accrued income	6,193	7,103
	<b>6,193</b>	<b>7,103</b>
<b>Net deferred tax asset</b>	<b>26,510</b>	<b>17,216</b>
<b>e. Deferred income tax included in income tax expense comprises:</b>		
Decrease / (increase) in deferred tax assets	(8,384)	967
(Decrease) / increase in deferred tax liabilities	(910)	3,230
	<b>(9,294)</b>	<b>4,197</b>

## 4. Income tax (continued)

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

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

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

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

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

## 5. Cash and cash equivalents

	2018	2017
	\$	\$
Cash at bank and on hand	(12,004)	261,493
	<b>(12,004)</b>	<b>261,493</b>

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

## 6. Trade and other receivables

	2018	2017
	\$	\$
<b>Current</b>		
Trade receivables	406,876	394,441
	<b>406,876</b>	<b>394,441</b>

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

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

### Credit risk

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

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

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

	Gross amount	Not past due	< 30 days	Past due but not impaired		Past due and impaired
	\$	\$	\$	\$	\$	\$
<b>2018</b>						
Trade receivables	406,876	406,876	-	-	-	-
<b>Total</b>	<b>406,876</b>	<b>406,876</b>	-	-	-	-
<b>2017</b>						
Trade receivables	394,441	394,441	-	-	-	-
<b>Total</b>	<b>394,441</b>	<b>394,441</b>	-	-	-	-

## 7. Investments and other financial assets

	2018	2017
	\$	\$
<b>Current</b>		
<i>Held to maturity financial assets</i>		
Term deposits	2,200,000	1,716,556
<b>Non Current</b>		
<i>Held to maturity financial assets</i>		
Term deposits	-	100,000
	<b>2,200,000</b>	<b>1,816,556</b>

### (a) Classification of financial assets

The company classifies its financial assets in the following categories:

- loans and receivables, and
- held to maturity investments

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

#### **Loans and receivables**

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

#### **Held to maturity investments**

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

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

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

### (b) Measurement of financial assets

At initial recognition, the entity measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

## 7. Investments and other financial assets (continued)

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

### (c) Impairment

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

#### *Assets carried at amortised cost*

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is

reduced and the amount of the loss is recognised in profit or loss.

If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

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

### (d) Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

## 8. Other assets

	2018	2017
	\$	\$
Prepayments	1,419	3,409
Security bond	75,344	44,185
Accrued interest	22,520	25,828
	<b>99,283</b>	<b>73,422</b>
<i>Non Current</i>		
Security bond	-	30,136
	<b>-</b>	<b>30,136</b>

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

## 9. Property, plant and equipment

	2018			2017		
	\$			\$		
	At cost	Accumulated depreciation	Written down value	At cost	Accumulated depreciation	Written down value
Leasehold improvements	45,817	(2,641)	43,176	43,519	(1,535)	41,984
Plant and equipment	1,154,803	(867,994)	286,809	1,144,989	(806,409)	338,580
<b>Total property, plant and equipment</b>	<b>1,200,620</b>	<b>(870,635)</b>	<b>329,985</b>	<b>1,188,508</b>	<b>(807,944)</b>	<b>380,564</b>

### Plant and equipment

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

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

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

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

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

### (a) Capital expenditure commitments

The company does not have any capital expenditure commitments at 30 June 2018 (2017: None)

### (b) Movements in carrying amounts of PP&E

	Opening written down value	Additions	Disposals	Revaluations	Impairments / write-offs	Depreciation	Closing written down value
<b>2018</b>							
Leasehold improvements	41,984	2,298	-	-	-	(1,106)	43,176
Plant and equipment	338,580	9,814	-	-	-	(61,585)	286,809
<b>Total property, plant and equipment</b>	<b>380,564</b>	<b>12,112</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(62,691)</b>	<b>329,985</b>

## 9. Property, plant and equipment (continued)

	Opening written down value	Additions	Disposals	Revaluations	Impairments / write-offs	Depreciation	Closing written down value
<b>2017</b>							
Leasehold improvements	25,869	16,809	-	-	-	(694)	41,984
Plant and equipment	383,468	14,370	-	-	-	(59,258)	338,580
<b>Total property, plant and equipment</b>	<b>409,337</b>	<b>31,179</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(59,952)</b>	<b>380,564</b>

## 10. Intangible assets

	2018			2017		
	\$			\$		
	At cost	Accumulated amortisation	Written down value	At cost	Accumulated amortisation	Written down value
Franchise fees	542,829	(439,186)	103,643	485,536	(388,658)	96,878
Preliminary expenses	352,822	(352,822)	-	352,822	(352,822)	-
<b>Total intangible assets</b>	<b>895,651</b>	<b>(792,008)</b>	<b>103,643</b>	<b>838,358</b>	<b>(741,480)</b>	<b>96,878</b>

Franchise fees and establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are

included under depreciation and amortisation in the Statement of Profit or Loss and Other Comprehensive Income.

### Movements in carrying amounts

	Opening written down value	Additions	Disposals	Revaluations	Impairments / write-offs	Amortisation	Closing written down value
<b>2018</b>							
Franchise fees	96,878	57,293	-	-	-	(50,528)	103,643
Preliminary expenses	-	-	-	-	-	-	-
<b>Total intangible assets</b>	<b>96,878</b>	<b>57,293</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(50,528)</b>	<b>103,643</b>

	Opening written down value	Additions	Disposals	Revaluations	Impairments / write-offs	Amortisation	Closing written down value
<b>2017</b>							
Franchise fees	75,557	67,154	-	-	-	(45,833)	96,878
Preliminary expenses	9,770	-	-	-	-	(9,770)	-
<b>Total intangible assets</b>	<b>85,327</b>	<b>67,154</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(55,603)</b>	<b>96,878</b>

## 11. Financial liabilities

Financial liabilities include trade payable and other creditors. Financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as "fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

## 12. Trade and other payables

	2018	2017
	\$	\$
<b>Current</b>		
Unsecured liabilities:		
Trade creditors	71,761	144,908
Other creditors and accruals	89,148	102,790
	<b>160,909</b>	<b>247,698</b>

Trade and other payables represent the liabilities for goods and services received by the company that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the

amounts normally paid within 30 days of recognition of the liability. The average credit period on trade and other payables is one month.

## 13. Provisions

	2018	2017
	\$	\$
<b>Current</b>		
Employee benefits	93,046	65,010
<b>Non-current</b>		
Employee benefits	18,812	10,957
<b>Total provisions</b>	<b>111,858</b>	<b>75,967</b>

### Short-term employee benefits

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

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

### Other long-term employee benefits

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

## 13. Provisions (continued)

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional

right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

## 14. Share capital

	2018	2017
	\$	\$
1,092,062 Ordinary shares fully paid	1,092,062	1,092,062
Return of capital of 10 cents per share	(196,571)	(196,571)
1,092,062 Bonus shares issued for no consideration	-	-
406,748 Ordinary Shares fully paid to \$1 each	406,748	406,748
259,085 Bonus shares issued for no consideration	-	-
234,750 Ordinary shares fully paid to \$1 each	234,750	234,750
Shares bought back during the year	(53,081)	-
	<b>1,483,908</b>	<b>1,536,989</b>

Ordinary shares are classified as equity.

### (a) Movements in share capital

Fully paid ordinary shares:		
At the beginning of the reporting period	3,084,707	3,084,707
Shares bought back during the year	(75,100)	-
At the end of the reporting period	<b>3,009,607</b>	<b>3,084,707</b>

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

### (b) Capital management

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

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

i. the Distribution Limit is the greater of:

- (a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in
- (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

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

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

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

## 15. Retained earnings

	2018	2017
	\$	\$
Balance at the beginning of the reporting period	1,113,237	762,857
Profit after income tax	440,946	535,462
Dividends paid	(184,224)	(185,082)
Balance at the end of the reporting period	<b>1,369,959</b>	<b>1,113,237</b>

## 16. Dividends paid or provided for on ordinary shares

	2018	2017
	\$	\$
<b>Dividends paid or provided for during the year</b>		
Interim and/or final fully franked ordinary dividend of 6 cents per share (2017: 6 cents) franked at the tax rate of 27.5% (2017: 27.5%).	184,224	185,082

A provision is made for the amount of any dividends declared, authorised and no longer payable at the discretion of the entity

on or before the end of the financial year, but not distributed at balance date.

## 17. Earnings per share

	2018	2017
	\$	\$
Basic earnings per share (cents)	14.53	17.36
Earnings used in calculating basic earnings per share	440,946	535,462
Weighted average number of ordinary shares used in calculating basic earnings per share.	3,034,598	3,084,707

### Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average

number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issues during the year.

## 18. Statement of cash flows

### (a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled

	2018	2017
	\$	\$
Cash and cash equivalents (Note 5)	(12,004)	261,493
As per the Statement of Cash Flow	(12,004)	261,493

## 18. Statement of cash flows (continued)

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

	2018	2017
	\$	\$
Profit after income tax	440,946	535,462
Non-cash flows in profit		
- Depreciation and amortisation	113,219	115,555
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(12,435)	(37,514)
- (Increase) / decrease in prepayments and other assets	4,275	(6,209)
- (Increase) / decrease in deferred tax asset	(9,294)	4,197
- Increase / (decrease) in trade and other payables	(86,789)	59,809
- Increase / (decrease) in current tax liability	(69,156)	46,979
- Increase / (decrease) in provisions	35,891	3,881
Net cash flows from operating activities	416,657	722,160

## 19. Key management personnel and related party disclosures

### (a) Key management personnel

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

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

	2018	2017
	\$	\$
Short-term employee benefits	69,000	70,167
Post-employment benefits	6,555	6,468
Total key management personnel compensation	75,555	76,635

#### Short-term employee benefits

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

#### Post-employment benefits

These amounts are the current year's estimated cost of providing the company's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

#### Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

### (b) Other related parties

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

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

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

No key management personnel or related party has entered into any contracts with the company.

The company has not accepted the Bendigo and Adelaide Bank Limited's Community Bank® Directors Privileges package.

### (d) Key management personnel shareholdings

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

	2018	2017
Juliann Ruth Byron	9,800	9,800
James Craig Grant	2,500	2,500
Damien Leo Hudson	14,582	14,582
Gordon Lennox McFarlane *	3,850	3,850
Hans Diederick Menting	55,202	50,552
Leigh Warren Smith *	44,000	44,000
Robert Einar Stensholt	20,350	20,350
	<b>150,284</b>	<b>145,634</b>

\* Shareholder did not hold office during 2018 financial year

Hans Menting acquired 4,650 during the year. Each share held has a paid up value of \$1 and is fully paid.

### (e) Other key management transactions

There has been no other transactions key management or related parties other than those described above.

## 20. Events after the reporting period

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

## 21. Contingent liabilities and contingent assets

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

## 22. Operating segments

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

## 23. Commitments

Operating lease commitments	2018	2017
	\$	\$
Payable:		
- no later than 12 months	297,696	332,306
- between 12 months and five years	836,546	525,242
- greater than five years	6,000	-
<b>Minimum lease payments</b>	<b>1,140,242</b>	<b>857,548</b>

The property leases are non-cancellable leases with five year terms, rent payable monthly in advance and CPI increases each year.

## 24. Company details

The registered office is: 143 Maling Road, Canterbury, Victoria, 3126

The principal places of business are:

### Canterbury Community Bank

143 Maling Road, Canterbury, Victoria, 3126

### Ashburton Community Bank

241 High Street, Ashburton, Victoria, 3147

### Surrey Hills Community Bank

107 Union Road, Surrey Hills, Victoria, 3127

### Balwyn Community Bank

411 Whitehorse Road, Balwyn, Victoria, 3103

## 25. Financial instrument risk

### Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit and Governance Committee which reports regularly to the Board. The Audit and Governance Committee is assisted in the area of risk management by an internal audit function.

### Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial

changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

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

		2018	2017
	Note	\$	\$
<b>Financial assets</b>			
Cash and cash equivalents	5	(12,004)	261,493
Trade and other receivables	6	406,876	394,441
Investments and financial assets	7	2,200,000	1,716,556
<b>Total financial assets</b>		<b>2,594,872</b>	<b>2,372,490</b>
<b>Financial liabilities</b>			
Trade and other payables	12	160,909	247,698
<b>Total financial liabilities</b>		<b>160,909</b>	<b>247,698</b>

### (a) Credit risk

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

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

#### Credit risk exposures

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

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

None of the assets of the company are past due (2017: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

### (b) Liquidity risk

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

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

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

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

Financial liability and financial asset maturity analysis:

30 June 2018	Weighted average interest rate	Total	Within 1 year	1 to 5 years	Over 5 years
	%	\$	\$	\$	\$
<b>Financial assets</b>					
Cash and cash equivalents	0.50%	(12,004)	(12,004)	-	-
Trade and other receivables		406,876	406,876	-	-
Investments and financial assets	2.64%	2,200,000	2,200,000	-	-
<b>Total anticipated inflows</b>		2,594,872	2,594,872	-	-
<b>Financial liabilities</b>					
Trade and other payables		160,909	160,909	-	-
<b>Total expected outflows</b>		160,909	160,909	-	-
<b>Net inflow / (outflow) on financial instruments</b>		<b>2,433,963</b>	<b>2,433,963</b>	<b>-</b>	<b>-</b>

## 25. Financial instrument risk (continued)

30 June 2017	Weighted average interest rate	Total	Within 1 year	1 to 5 years	Over 5 years
	%	\$	\$	\$	\$
<b>Financial assets</b>					
Cash and cash equivalents	0.50%	261,493	261,493	-	-
Trade and other receivables		394,441	394,441	-	-
Investments and financial assets	2.80%	1,716,556	1,716,556	-	-
<b>Total anticipated inflows</b>		<b>2,372,490</b>	<b>2,372,490</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>					
Trade and other payables		247,698	247,698	-	-
<b>Total expected outflows</b>		<b>247,698</b>	<b>247,698</b>	<b>-</b>	<b>-</b>
<b>Net inflow / (outflow) on financial instruments</b>		<b>2,124,792</b>	<b>2,124,792</b>	<b>-</b>	<b>-</b>

### (c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The company has no exposure to fluctuations in foreign currency, or any exposure to a material price risk.

The financial instruments that primarily expose the company to interest rate risk are fixed interest securities and cash and cash equivalents.

#### Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit	2018 Equity	Profit	2017 Equity
	\$	\$	\$	\$
' +/- 1% in interest rates (interest income)	21,880	21,880	19,780	19,780
	<b>21,880</b>	<b>21,880</b>	<b>19,780</b>	<b>19,780</b>

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

## Directors Declaration

In accordance with a resolution of the Directors of Canterbury Surrey Hills Community Finance Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 39-60 are in accordance with the Corporations Act 2001 and:
  - (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
  - (ii) a true and fair view of the company's financial position as at 30 June 2018 and of the performance for the year ended on that date;
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. The audited remuneration disclosures set out in the remuneration report section of the Directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



**Juliann Byron**  
Chairman

Signed at Balwyn on 29 August 2018.



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1. Gary Johnson attends the Ashburton United Soccer Club Open Day.
2. Juliann Byron and Nick Coker present a cheque to Balwyn Football Club President Richard Wilson.
3. Director, Bob Stensholt, enjoys the Business Breakfast.
4. Guest Panellists at the Spring Business Breakfast.
5. Kathy Koulouris presents a cheque to Camcare Chief

Executive Jane Broadhead for a resilience program at Parkhill Primary School.

6. Kathy Koulouris and Gary Johnson present funds to The Craig Centre for the connected courtyards project.
7. Maggie Stamoulis presents sponsorship to Mont Albert Cricket Club President Peter Knox for club refurbishments.
8. Girls football at the Canterbury Sports ground.



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# Glossary

Throughout this report we refer to particular terms. Here's what we mean by ...

**Footings** means the total deposits, loan and other business held at a particular Community Bank® branch. This is a measure of the banking business we look after for customers.

**Community Investment** means a contribution made by our Company to a not-for-profit community-based organisation. This can be in the form of a sponsorship or a grant. Some are big while some are small, and may reflect the number of members from the community that have become customers. Details of our Community Investments can be found in our Community Report.

**Community Investment Program** means the strategy adopted by the Board for assessing and selecting Community Investments over the short, medium and longer term.

**Community Bank®** means a franchise of the Bendigo & Adelaide Bank Limited that is operated by a public company owned by people in the community the branch operates in.

**Banking Rewards Program** means an arrangement with sponsored community groups where the community group will receive a payment based on the type and number of products their members acquire at one of our branches.





**Canterbury  
Community Bank® Branch**

Shop 2, 143 Maling Road,  
Canterbury, VIC, 3126

T • (03) 9836 9466

**Ashburton  
Community Bank® Branch**

241 High Street,  
Ashburton, VIC, 3147

T • (03) 9885 2666

**Surrey Hills  
Community Bank® Branch**

107 Union Road,  
Surrey Hills, VIC, 3127

T • (03) 9890 7188

**Balwyn  
Community Bank® Branch**

411 Whitehorse Road,  
Balwyn, VIC, 3103

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**Franchisee**

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Community Finance Limited

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