Annual Report 2017

Balmain/Rozelle Financial Services Limited

Balmain/Rozelle
Community Bank® Branch

ABN 95 112 711 654

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Chairman's Report

Last year I reported to you that while Balmain/Rozelle Financial Services Ltd had made a loss for the year there had been improvement in the financial performance of the business.

This year I am pleased to report that positive trend has continued and in the 2016/17 financial year as the business made its first profit since 2012 and the fourth since it commenced trading in 2005.

There were two major contributors to this improved result, the new profit share arrangement with Bendigo Bank and a number of cost saving measures. Encouraging as this result is, the underlying level of business activity continued to flat line.

The Board is mindful shareholders are yet to receive a dividend. This is a situation the Board is anxious to remedy however given the relatively low level of profit, the need to rebuild reserves, shareholder value and to invest in growing the business, the Board has decided no dividend be paid for the 2016/17 financial year.

However the Board has agreed Balmain/Rozelle Financial Services Ltd shareholders should be given access to the same Shareholder Benefit Package as Bendigo Bank shareholders. That package offers a number of discounts and other benefits on bank products and is available to shareholders on new business written at the branch. The branch is in the process of contacting shareholders to provide them with details of the Shareholder Benefit Package.

Growing the business is the Boards first priority. To that end the new Branch Manager, Stephen Kim comes to the business with a strong lending background. To support Stephen and allow him to focus on new business acquisition, our most experienced employee Mary McIntosh has been appointed to the position of Customer Relationship Officer. Bendigo Bank is also stepping up its offering to the small business sector and steps are being taken to increase our share of local business banking.

Making a difference to local communities by supporting community organisations is what differentiates **Community Bank®** branches from others. While Balmain/Rozelle Financial Services Ltd has supported many local organisations over the years we would like to do more. Our ability to support the community is a direct consequence of how well the business performs. With that in mind the Board suspended its community support activity in the last quarter of the year while it reviewed its approach to community investments. Community support has resumed but with a greater emphasis on how the groups being supported will commit to contributing to the growth of the business. The more successful the business more we can do to help.

Key to the performance of the business is the team at the branch. Our new Branch Manager, Stephen Kim has hit the ground running and we are already seeing positive results. He is being well supported by Mary McIntosh, Davis Moss and Dorothy Gosh. The business is also in the process of appointing a new full-time Customer Service Officer. The position has been upgraded from part-time to full-time with the specific aim of increasing our capacity to grow the business. I thank all our staff for the continuing efforts and commitment.

Finally can I place on record my appreciation of the work and support from my colleagues on the Board and in doing so extend particular thanks to Peter English who is stepping down upon his retirement from Bendigo Bank. Peter joined the Board at a difficult time for the business and his counsel and advice has been invaluable over the past two years.

Greg Pattison

Chairman

Branch Manager's Report

I am pleased to be able to have this opportunity to make my first Annual Report as Manager of the Balmain/Rozelle **Community Bank®** Branch.

Community Bank® branches are unique among Australian banks with their combination of community ownership and focus on community support. I think that very special combination provides a very strong base from which to build the business.

When I joined the **Community Bank®** company, the Board made it very clear to me that the business had gone through a challenging period, including the disruption of a re-location and the key focus of my role is to build the business. It is only by building the business we can better meet the needs of our community and shareholders.

In the few short months I have been in my role I am pleased to be able to report there has been some uplift in the level of business activity, particularly home loans. The business is not yet at the level where it can and needs to be but the first positive steps have been taken and a look forward to being able to report continuing success in the years ahead.

The move to being a **Community Bank®** Branch Manager has its challenges and I am still finding my way in the role. However I do want to place on the record my appreciation of the support I am receiving from the Board, the team at the branch, Mary David and Dorothy, and the Bendigo Bank Regional Management Team.

There is a lot to be done and I look forward to providing a more fulsome report next year which will tell of story of growth and success, and community support.

Finally may I extend an invitation to shareholders visiting the branch to make yourselves known to me. I look forward to meeting as many of you as possible.

Stephen Kim

Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2017

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

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

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

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

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

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

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

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

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

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

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

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

Robert Musgrove
Executive Engagement Innovation

AFS

Partners in success

Chartered Accountants

Balmain/Rozelle Financial Services Limited

ABN: 95112711654

Financial Statements

30 June 2017

Balmain/Rozelle Financial Services Limited
Directors' Report

Your directors submit the financial statements of the company for the financial year ended 30 June 2017.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

Gregory Baliol Pattison
Director
Occupation: Retired
Qualifications, experience and expertise: Greg has over 40 years experience in executive and general management roles in a range of industries including manufacturing, wholesaling, photofinishing and finance. Prior to retirement he spent over 20 years with the NSW Business Chamber holding several roles including the establishment of the largest sector New Apprenticeships Centre in NSW, WHS and workers compensation policy and the delivery of industrial relations services to members. Greg has held a number of directorships during his career. He has been a Balmain resident since 1981 and is Secretary/Treasurer of the Balmain Rozelle Chamber of Commerce. He holds a Bachelor of Commerce (Econ) and an MBA.
Special responsibilities: Chairman
Interest in shares: Nil

John Fara
Director
Occupation: Accountant
Qualifications, experience and expertise: John is a director of Fiducia Advisors Pty Ltd, an accounting and business services firm in Rozelle. He is a Fellow of CPA Australia, Fellow of the Taxation Institute of Australia and Chartered Tax Advisor. He has over 20 years' experience in commerce and the accounting profession. He holds a Bachelor Degree in Commerce and a Graduate Diploma in Advanced Taxation from the University of New South Wales. John is a past President of CPA Australia NSW Division and has held various roles including as member of the small business taskforce, liaison to and member of the NSW Public Practice Committee and Chair of the Young Professionals Committee. John currently serves as the CPA Australia representative to the Joint State Tax Liaison Committee with the NSW Office of State Revenue. John has also served as an executive officer of the Balmain Rozelle Chamber of Commerce.
Special responsibilities: Finance Committee
Interest in shares: Nil

Richard Nigel Shaw
Director
Occupation: General Manager
Qualifications, experience and expertise: Richard has 30 years experience in financial services and banking having held operational, senior management and executive positions in SME's and large corporations. During his career he has held roles as portfolio accountant, certified financial planner, stockbroker, mortgage lender, practice development manager, head of advice and general manager. Richard is a member of the North Sydney PCYC Executive Committee and has volunteered abroad. Richard holds an MBA (Executive), Master of Business Coaching, Governance & Risk Management Certification, Project Management Certifications and is a Certified Financial Planner. He is also a Justice of the Peace.
Special responsibilities: Secretary
Interest in shares: Nil

Directors *(continued)*

John Hughes Jobling
Director
Occupation: Retired
Qualifications, experience and expertise: John was a pharmacist at Sydney University who operated his own business for 28 years. He was a member of the NSW Parliament from 1984 to 2003. John was Chairman of the Defence Reserve Support Council NSW from 2000 to 2008 and a member of the National Board. He has been a Member of St John Ambulance NSW since 2003 and involved in multiple capacities including being a member of the Finance, Audit and Risk Committee since 2005, Advisor to Board from 2005 to 2011 and a Director since 2011. He was an elected member of Leichhardt Council from 2012 to 2016, John was also on the Audit & Risk Committee at the Council during this time. He is an elected member of Inner West Council LRAC Committee 2016-17, Chairman of Local Strata (59 units) since 2011 and President and life member of Castlereagh Probus Club.
Special responsibilities: Nil
Interest in shares: Nil

Peter Edmund English
Director
Occupation: Senior Manager: Community Banking & Engagement - Bendigo and Adelaide Bank Ltd
Qualifications, experience and expertise: Peter has 35 years experience in retail banking with branch, area, regional and senior management roles. For the past 18 years he has been with the Bendigo & Adelaide Bank in the Community Banking and Engagement Department. Peter is currently Senior Manager - Community Bank Analytics & Strategic Support and responsible for monitoring and analysing the business and financial performance of the 300 plus Community Bank branches nationally and providing support as required. Community involvements include past president of both the Bendigo Agricultural Society and the Polwarth Sheep Breeders Assoc. of Australia, former Executive of Bendigo Central Traders Assoc. and the Bendigo Chamber of Commerce and is currently on a number of agriculture and livestock committees/groups. Peter holds a Diploma of Business Studies/Accounting. Peter is also a director of Dancoor Community Finances Limited and a former Director of Geographe Bay Community Enterprises Limited.
Special responsibilities: Treasurer
Interest in shares: Nil

Clifford Philipiah
Director *(Appointed 29 August 2016)*
Occupation: Senior Photographic Correspondent
Qualifications, experience and expertise: With over 20 years' experience in Marketing, Cliff has worked on the major branding and repositioning of Heineken beer in the Asia-Pacific region, the highly-awarded 2000 Olympic campaign for Westpac Banking Corporation and consulted on several projects with NSW TAB, APN News & Media and other Big 4 Banks. Cliff currently works as a senior Photographic Correspondent for a global news service and is an Executive on the P&C of his children's school in Balmain; being a Balmain resident for over 15 years, he is a strong advocate of the community spirit that the Balmain/Rozelle Peninsula encapsulates.
Special responsibilities: Marketing Sub-Committee
Interest in shares: Nil

Alexander George Ebert
Director *(Resigned 28 November 2016, Appointed 6 February 2017)*
Occupation: Accountant
Qualifications, experience and expertise: Alex operates an accounting practice in Abbotsford established in 2002. He is a certified registered practising NTAA Tax Agent & Accountant and a Fellow Member of the National Tax & Accountant's Association Ltd. Through his practice he initiated the Abbotsford Public School's Mathematics Award, to recognise and encourage young students to achieve in arithmetic. The practice also sponsors several other student activities at Abbotsford School. Alex is supports fundraising activities through Rotary.
Special responsibilities:
Interest in shares: 500

Directors *(continued)*

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

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

Company Secretary

The company secretary is Richard Nigel Shaw. He was appointed to the position of secretary on 9 June 2016.

Qualifications, experience and expertise: Richard has 30 years experience in financial services and banking having held operational, senior management and executive positions in SME's and large corporations. During his career he has held roles as portfolio accountant, certified financial planner, stockbroker, mortgage lender, practice development manager, head of advice and general manager. Richard is a member of the North Sydney PCYC Executive Committee and has volunteered abroad. Richard holds an MBA (Executive), Master of Business Coaching, Governance & Risk Management Certification, Project Management Certifications and is a Certified Financial Planner. He is also a Justice of the Peace.

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

There have been no significant changes in the nature of these activities during the year.

Operating results

Operations have continued to perform in line with expectations. The profit/(loss) of the company for the financial year after provision for income tax was:

Year ended 30 June 2017 $	Year ended 30 June 2016 $
40,840	(53,369)

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

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 or the financial statements.

Events since the end of the financial year

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 facilitating banking services to the community.

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

Indemnification and insurance of directors and officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

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.

Directors' meetings

The number of directors' meetings attended by each of the directors of the company during the year were:

	Board Meetings Attended	
	Eligible	Attended
Gregory Baliol Pattison	10	9
John Fara	10	9
Richard Nigel Shaw	10	9
John Hughes Jobling	10	9
Peter Edmund English	10	6
Clifford Philipiah *(Appointed 29 August 2016)*	9	7
Alexander George Ebert *(Resigned 28 November 2016, Appointed 6 February 2017)*	10	7

Balmain/Rozelle Financial Services Limited
Directors' Report

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001.*

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.*

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes 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 committee to ensure they do not impact on the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Signed in accordance with a resolution of the board of directors at Balmain, New South Wales on 26 September 2017.

Gregory Baliol Pattison, Chairman

Partners in success
Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Balmain/Rozelle Financial Services Limited

As lead auditor for the audit of Balmain/Rozelle Financial Services Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 26 September 2017

David Hutchings
Lead Auditor

Balmain/Rozelle Financial Services Limited
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2017

	Notes	2017 $	2016 $
Revenue from ordinary activities	4	569,976	504,315
Employee benefits expense		(232,838)	(267,482)
Charitable donations, sponsorship, advertising and promotion		(9,992)	(27,147)
Occupancy and associated costs		(131,319)	(135,180)
Systems costs		(31,193)	(26,330)
Depreciation and amortisation expense	5	(27,432)	(63,744)
Finance costs	5	(6,233)	(1,780)
General administration expenses		(60,068)	(93,348)
Profit/(loss) before income tax		**70,901**	**(110,696)**
Income tax (expense)/credit	6	(30,061)	57,327
Profit/(loss) after income tax		**40,840**	**(53,369)**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**40,840**	**(53,369)**
Earnings per share		¢	¢
Basic earnings per share	22	4.54	(5.93)

The accompanying notes form part of these financial statements

Balmain/Rozelle Financial Services Limited
Balance Sheet
as at 30 June 2017

	Notes	2017 $	2016 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	30,365	13,375
Trade and other receivables	8	52,527	40,820
Total Current Assets		**82,892**	**54,195**
Non-Current Assets			
Property, plant and equipment	9	252,381	260,538
Intangible assets	10	43,216	56,934
Deferred tax asset	11	210,174	240,235
Total Non-Current Assets		**505,771**	**557,707**
Total Assets		**588,663**	**611,902**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	189,486	212,666
Borrowings	13	3,304	17,524
Provisions	14	12,468	18,120
Total Current Liabilities		**205,258**	**248,310**
Non-Current Liabilities			
Trade and other payables	12	37,630	53,550
Borrowings	13	92,025	96,233
Provisions	14	3,008	3,907
Total Non-Current Liabilities		**132,663**	**153,690**
Total Liabilities		**337,921**	**402,000**
Net Assets		**250,742**	**209,902**
Equity			
Issued capital	15	863,146	863,146
Accumulated losses	16	(612,404)	(653,244)
Total Equity		**250,742**	**209,902**

The accompanying notes form part of these financial statements

Balmain/Rozelle Financial Services Limited
Statement of Changes in Equity
for the year ended 30 June 2017

	Issued Capital $	Accumulated Losses $	Total Equity $
Balance at 1 July 2015	863,146	(599,875)	263,271
Total comprehensive income for the year	-	(53,369)	(53,369)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2016	**863,146**	**(653,244)**	**209,902**
Balance at 1 July 2016	863,146	(653,244)	209,902
Total comprehensive income for the year	-	40,840	40,840
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2017	**863,146**	**(612,404)**	**250,742**

The accompanying notes form part of these financial statements

Balmain/Rozelle Financial Services Limited
Statement of Cash Flows
for the year ended 30 June 2017

	Notes	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		614,957	553,844
Payments to suppliers and employees		(552,417)	(564,130)
Interest received		617	390
Interest paid		(6,233)	(598)
Net cash provided by/(used in) operating activities	17	**56,924**	**(10,494)**
Cash flows from investing activities			
Payments for property, plant and equipment		(5,719)	(111,067)
Payments for intangible assets		(15,788)	(1,995)
Net cash used in investing activities		**(21,507)**	**(113,062)**
Cash flows from financing activities			
Proceeds from borrowings		-	99,196
Repayment of borrowings		(4,929)	(926)
Net cash provided by/(used in) financing activities		**(4,929)**	**98,270**
Net increase/(decrease) in cash held		**30,488**	**(25,286)**
Cash and cash equivalents at the beginning of the financial year		(123)	25,163
Cash and cash equivalents at the end of the financial year	7(a)	**30,365**	**(123)**

The accompanying notes form part of these financial statements

Note 1. Summary of significant accounting policies

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001* . The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

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

Application of new and amended accounting standards

There are a number of amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2016, and are therefore relevant for the current financial year.

None of these amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

There are also a number of accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2016. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

Only AASB 16 Leases, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. This revised standard will require any leases held to be capitalised.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Balmain, New South Wales.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

Note 1. Summary of significant accounting policies *(continued)*

a) Basis of preparation *(continued)*

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

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

- the design, layout and fit out of the **Community Bank®** branch
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Note 1. Summary of significant accounting policies *(continued)*

b) Revenue *(continued)*

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days' notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Margin

Margin is arrived at through the following calculation:

- Interest paid by customers on loans less interest paid to customers on deposits
- *plus* any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,
- *minus* any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Margin is paid on all core banking products. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.

The company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products.

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo and Adelaide Bank Limited has also made discretionary financial payments to the company. These are referred to by Bendigo and Adelaide Bank Limited as a "Market Development Fund" (MDF).

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and donations.
It is for the board to decide how to use the MDF.

The payments from Bendigo and Adelaide Bank Limited are discretionary and Bendigo and Adelaide Bank Limited may change the amount or stop making them at any time.

Note 1. Summary of significant accounting policies *(continued)*

b) Revenue *(continued)*

Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

If Bendigo and Adelaide Bank Limited makes a change to the margin or commission on core banking products and services, it must not reduce the margin and commission the company receives on core banking products and services Bendigo and Adelaide Bank Limited attributes to the company to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank Limited's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank Limited may make.

Bendigo and Adelaide Bank Limited must give the company 30 days' notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank®** companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank®** model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

c) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Note 1. Summary of significant accounting policies *(continued)*

c) Income tax *(continued)*

Deferred tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

d) Employee entitlements

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

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

e) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

f) Trade receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

g) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	40	years
- plant and equipment	2.5 - 40	years
- furniture and fittings	4 - 40	years

Note 1. Summary of significant accounting policies *(continued)*

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

i) Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

j) Borrowings

All loans are initially measured at the principal amount. Interest is recognised as an expense as it accrues.

k) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

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

Classification and subsequent measurement

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

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

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

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Note 1. Summary of significant accounting policies *(continued)*

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions of other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

n) Contributed equity

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

o) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Note 2. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) 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 Balance Sheet.

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

The distribution limit is the greater of:

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

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where 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 for the year ended 30 June 2017 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the Statement of Profit or Loss and Other Comprehensive Income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Note 3. Critical accounting estimates and judgements *(continued)*

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Note 4. Revenue from ordinary activities

	2017	2016
	$	$
Operating activities:		
- gross margin	407,266	297,549
- services commissions	66,864	97,273
- fee income	59,812	59,109
- market development fund	35,417	50,000
Total revenue from operating activities	569,359	503,931
Non-operating activities:		
- interest received	617	384
Total revenues from ordinary activities	569,976	504,315

Note 5. Expenses

	2017	2016
	$	$
Depreciation of non-current assets:		
- plant and equipment	4,549	11,957
- leasehold improvements	6,663	29,020
- furniture and fittings	2,664	9,091
Amortisation of non-current assets:		
- franchise agreement	2,259	2,277
- franchise renewal fee	11,297	11,399
	27,432	63,744
Finance costs:		
- interest paid	6,233	1,780
Bad debts	-	7

Note 6. Income tax expense/(credit)

The components of tax expense/(credit) comprise:		
- Future income tax benefit attributable to losses	-	(51,731)
- Movement in deferred tax	7,536	(5,596)
- Adjustment to deferred tax to reflect change to tax rate in future periods	8,429	-
- Recoupment of prior year tax losses	13,290	-
- Under/(Over) provision of tax in the prior period	806	-
	30,061	(57,327)

The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense/(credit) as follows

Operating profit/(loss)	70,901	(110,696)
Prima facie tax on profit/(loss) from ordinary activities at 27.5% (2016: 28.5%)	19,498	(31,548)
Add tax effect of:		
- non-deductible expenses	449	538
- timing difference expenses	(6,657)	(20,721)
	13,290	(51,731)
Movement in deferred tax	7,536	(5,596)
Adjustment to deferred tax to reflect change of tax rate in future periods	8,429	-
Under/(Over) provision of income tax in the prior year	806	-
	30,061	(57,327)

Note 7. Cash and cash equivalents

		2017	2016
		$	$
Cash at bank and on hand		16,739	100
Term deposits		13,626	13,275
		30,365	13,375

Note 7.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Cash at bank and on hand		16,739	100
Term deposits		13,626	13,275
Bank overdraft	13	-	(13,498)
		30,365	(123)

Note 8. Trade and other receivables

Trade receivables		40,635	31,974
Prepayments		4,373	8,794
Other receivables and accruals		7,519	52
		52,527	40,820

Note 9. Property, plant and equipment

Leasehold improvements			
At cost		171,702	167,257
Less accumulated depreciation		(8,171)	(1,508)
		163,531	165,749
Plant and equipment			
At cost		73,439	72,165
Less accumulated depreciation		(10,590)	(6,041)
		62,849	66,124
Furniture and fittings			
At cost		31,877	31,877
Less accumulated depreciation		(5,876)	(3,212)
		26,001	28,665
Total written down amount		252,381	260,538

Note 9. Property, plant and equipment *(continued)*	2017	2016
	$	$
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	165,749	28,224
Additions	4,445	42,575
Disposals	-	-
Less: depreciation expense	(6,663)	94,950
Carrying amount at end	163,531	165,749
Plant and equipment		
Carrying amount at beginning	66,124	10,062
Additions	1,274	33,263
Disposals	-	-
Less: depreciation expense	(4,549)	22,799
Carrying amount at end	62,849	66,124
Furniture and fittings		
Carrying amount at beginning	28,665	13,910
Additions	-	(37,447)
Disposals	-	-
Less: depreciation expense	(2,664)	52,202
Carrying amount at end	26,001	28,665
Total written down amount	252,381	260,538

Note 10. Intangible assets	2017	2016
Franchise fee		
At cost	22,867	22,867
Less: accumulated amortisation	(15,767)	(13,508)
	7,100	9,359
Establishment fee		
At cost	60,000	60,000
Less: accumulated amortisation	(60,000)	(60,000)
	-	-
Renewal processing fee		
At cost	114,337	114,337
Less: accumulated amortisation	(78,837)	(67,540)
	35,500	46,797
Borrowing Costs		
At cost	804	804
Less: accumulated impairment losses	(188)	(26)
	616	778
Total written down amount	43,216	56,934

Note 11. Tax	2017	2016
	$	$
Non-Current:		
Deferred tax assets		
- accruals	1,018	7,084
- employee provisions	4,256	5,869
- property, plant and equipment	-	1,261
- tax losses carried forward	205,961	227,223
	211,235	241,437
Deferred tax liability		
- accruals	18	15
- deductible prepayments	-	1,187
- property, plant and equipment	1,043	-
	1,061	1,202
Net deferred tax asset	210,174	240,235
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	30,061	(57,327)

Note 12. Trade and other payables	2017	2016
Current:		
Trade creditors	17,367	21,777
Other creditors and accruals	172,119	190,889
	189,486	212,666
Non-Current:		
Other creditors and accruals	37,630	53,550
	37,630	53,550

Note 13. Borrowings	2017	2016
Current:		
Bank overdrafts	-	13,498
Bank loans	3,304	4,026
	3,304	17,524
Non-Current:		
Bank loans	92,025	96,233

Balmain/Rozelle Financial Services Limited had an approved overdraft limit of $150,000 . The facility was unused as at 30 June 2017.

The bank loan is a 15 year tem loan with monthly repayments of $912 which will be repaid by May 2031. The loan is secured by a fixed and floating charge over the company's assets.

Note 14. Provisions	**2017**	**2016**
	$	**$**
Current:		
Provision for annual leave	12,468	18,120
Non-Current:		
Provision for long service leave	3,008	3,907

Note 15. Contributed equity		
900,011 ordinary shares fully paid (2016: 900,011)	900,011	900,011
Less: equity raising expenses	(36,865)	(36,865)
	863,146	863,146

Rights attached to shares

(a) *Voting rights*

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** branch have the same ability to influence the operation of the company.

(b) *Dividends.*

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) *Transfer*

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001.*

Note 15. Contributed equity *(continued)*

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if they control or own 10% or more of the shares in the company (the "10% limit").

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Note 16. Accumulated losses

	2017 $	2016 $
Balance at the beginning of the financial year	(653,244)	(599,875)
Net profit/(loss) from ordinary activities after income tax	40,840	(53,369)
Balance at the end of the financial year	(612,404)	(653,244)

Note 17. Statement of cash flows

Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by/(used in) operating activities

	2017	2016
Profit/(loss) from ordinary activities after income tax	40,840	(53,369)
Non cash items:		
- depreciation	13,876	50,068
- amortisation	13,718	13,702
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(11,707)	9,302
- (increase)/decrease in other assets	30,061	(57,327)
- increase/(decrease) in payables	(23,312)	31,428
- increase/(decrease) in provisions	(6,552)	(4,298)
Net cash flows provided by/(used in) operating activities	56,924	(10,494)

Note 18. Leases

	2017	2016
	$	$
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	101,000	101,000
- between 12 months and 5 years	218,833	308,973
- greater than 5 years	-	-
	319,833	409,973

The branch lease is a non-cancellable lease with a four-year, three-month and 22-day term (aligned with franchise fee agreement) which commenced on 1 May 2016. Rent is payable monthly, with an option to renew for a period of five years.

Note 19. Auditor's remuneration

	2017	2016
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	5,300	7,320
- share registry services	1,885	1,800
- non audit services	429	-
	7,614	9,120

Note 20. Director and related party disclosures

The names of directors who have held office during the financial year are:

Gregory Baliol Pattison
John Fara
Richard Nigel Shaw
John Hughes Jobling
Peter Edmund English
Clifford Philipiah *(Appointed 29 August 2016)*
Alexander George Ebert *(Resigned 28 November 2016, Appointed 6 February 2017)*

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

Directors Shareholdings	2017	2016
Gregory Baliol Pattison	-	-
John Fara	-	-
Richard Nigel Shaw	-	-
John Hughes Jobling	-	-
Peter Edmund English	-	-
Clifford Philipiah *(Appointed 29 August 2016)*	-	-
Alexander George Ebert *(Resigned 28 November 2016, Appointed 6 February 2017)*	500	500

There was no movement in directors shareholdings during the year.

Note 21. Key management personnel disclosures

No director of the company receives remuneration for services as a company director or committee member.

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

Note 22. Earnings per share

	2017	2016
	$	$
(a) Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	40,840	(53,369)
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	900,011	900,011

Note 23. Events occurring after the reporting date

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

Note 24. Contingent liabilities and contingent assets

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

Note 25. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Balmain and Rozelle, New South Wales pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 26. Registered office/Principal place of business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
75 Lyons Road	600 Darling Street
Drummoyne, NSW, 2047	Rozelle, NSW, 2039

Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2017 $	2016 $	2017 $	2016 $	2017 $	2016 $	2017 $	2016 $	2017 $	2016 $	2017 %	2016 %
Financial assets												
Cash and cash equivalents	16,626	-	13,626	13,275	-	-	-	-	113	100	2.55	1.84
Receivables	-	-	-	-	-	-	-	-	40,635	31,974	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	13,498	3,304	4,026	92,025	96,233	-	-	-	-	6.12	4.49
Payables	-	-	-	-	-	-	-	-	54,997	75,327	N/A	N/A

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

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

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

	2017 $	2016 $
Change in profit/(loss)		
Increase in interest rate by 1%	(651)	(1,005)
Decrease in interest rate by 1%	651	1,005
Change in equity		
Increase in interest rate by 1%	(651)	(1,005)
Decrease in interest rate by 1%	651	1,005

Balmain/Rozelle Financial Services Limited
Directors' Declaration

In accordance with a resolution of the directors of Balmain/Rozelle Financial Services Limited , we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001* , including:

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

(ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) 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 declaration is made in accordance with a resolution of the board of directors.

Gregory Baliol Pattison, Chairman

Signed on the 26th of September 2017.

AFS
Partners in success
Chartered Accountants

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Independent auditor's report to the members of Balmain/Rozelle Financial Services Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Balmain/Rozelle Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
ii. complying with Australian Accounting Standards.

What we have audited

Balmain/Rozelle Financial Services Limited's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Balance sheet
- ✓ Statement of changes in equity
- ✓ Statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the entity.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

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

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

Other information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

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

Our responsibility is to read the other information identified above when it becomes available 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 we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report so that it 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 is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability 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 cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement 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.

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 26 September 2017

David Hutchings
Lead Auditor

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Business Services

Community Banking

Audit

Share Registry

Your partners
in success

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