Annual Report 2017

Beaufort Community Financial Services Limited

ABN 53 097 961 058

Beaufort **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2017

2016/17 has been another milestone year for the Beaufort **Community Bank**® company. We celebrated our 15th birthday in March. Over the 15 years we have contributed $1.2 million of sponsorships, grants and dividends back to the community. But the company's contribution is so much greater than that. We continue to provide a professional banking service that Beaufort and district would not otherwise have, and in doing so contribute to community identity and convenience. And importantly we provide local employment for six families.

Over the last two years branch staffing has undergone a transition. For many years we were blessed to have a stable and highly experienced group of branch staff, who had largely been with the branch since opening. I would like to recognise the significant contribution of Julie Lofts, Shirley Wallish and Kathy Glenister, and wish them all well in retirement. In May we welcomed new Branch manager James Ackland who replaced Pedita Van Hees. Our new team features a nice blend of banking experience and fresh enthusiasm.

We continue to focus on engaging with the community. Directors hosted a well-attended community Board meeting at Stockyard Hill and another Friends of the **Community Bank**® company gathering. We introduced a Community Investment information evening to demystify the community grants process. Our Young Directors' Program has continued to kick goals. Young Directors Hayley Crowley and Rhi Goosens have been valuable contributors. Attending the Magic Moments Youth conference in Sydney is always a highlight. Our newsletters and the branch's Facebook page are great ways to keep in touch with us and hear stories about the positive contribution the **Community Bank**® company makes. And we have begun asking shareholders to present community investment grants.

We continue to sponsor community programs and events across the district. We continue to be proud naming rights partners of the Beaufort **Community Bank**® Complex and the Beaufort **Community Bank**® Pyrenees Art Show. Other significant investments and sponsorships include Buangor Community Sports Centre, Raglan Hall & Recreation Reserve Committee of Management with their toilet upgrade and the Beaufort Football Netball Club digital scoreboard

The 2016/17 financial report represents an outstanding result. A very healthy profit after tax of $130,400. Revenue growth for the year has been pleasing, and we continue to control costs. Shareholders can take great confidence in our balance sheet, each share being backed by $1.31 of liquid assets.

The Board is pleased to announce a fully franked dividend of 6.5c per share, an increase of 0.05c per share on 2016. In the current market this is a very strong yield. This brings to $0.665 the total dividends per share since dividends were first paid in 2006. The dividend will be paid to shareholders in December 2017.

I would like to thank my fellow volunteer Directors and the branch staff for their professionalism, friendly service and hard work throughout the year. And a very big thank you to Company Secretary Trish Collins who supports the Board with the utmost competence.

Finally, congratulations to you, our loyal customers and shareholders. By participating in the **Community Bank**® company you too play an important role in supporting the ongoing prosperity of Beaufort, Skipton and district.

Tim Chandler
Chairman

Manager’s report

For year ending 30 June 2017

I am honoured to be able to write my first Annual Manager’s Report for Beaufort **Community Bank**® Branch and Skipton agency.

At the time of writing this report I have been with the Beaufort **Community Bank**® Branch and Skipton agency for three months. Time has flown and I have enjoyed getting out into the Beaufort and district communities and meeting the wonderful people who make Beaufort and its surrounding towns the great communities that they are.

I took over as Branch Manager with about six weeks left in the financial year. It was great to step into a branch that has achieved so much in its 15 years and also a branch that has had a great 2016/17 Financial year. We finished the year with funds under management of $107.814 million. This was a 12-month growth of $3.295 million (3.16% increase). This is a great result given we are seeing record loan payoffs due to low rates. This doesn’t just affect our loan balances, it also reduces our deposit balances as these are being used to pay off loans quicker.

Over the next 12 months we will be focusing on growing our business further by better leveraging off our community investments, sponsorships and grants. While we are proud of these community investments, we want to form stronger partnerships with the community groups that we are investing in. We want to partner with them to help them thrive, and we hope in return their members and supporters can support us by giving us the opportunity to look at their banking needs. I always say that the more business we write, the more money we can put back into our communities through community investments.

A second focus will be reaching out to outlying townships and communities in our patch to offer them great banking services and also talk about what we can do for their communities. I want to help strengthen communities by offering not just community investments, but the many resources that the Bendigo and Adelaide Bank Limited group offer that you can’t put a dollar value on.

Thank you to Tim Chandler and the Board for giving me the opportunity as Branch Manager, and also to Trish Collins who has been a great help to me in her role as Company Secretary.

I can’t finish my first report as Manager of Beaufort **Community Bank**® Branch and Skipton agency, without thanking the wonderful staff we have at the branch. Wendy, Jodie, Naomi, and Dave have made my first three months in the role very enjoyable and have offered me great support and knowledge. Without this great team Beaufort **Community Bank**® Branch and Skipton agency wouldn’t be as strong. I must also acknowledge one long standing employee that finished with the branch at the end of December. Julie was here from the start, and while I never got to work with her, I can see the impact she made on the branch by the way our clients and staff talk about her. Thank you for all of your efforts over the years and enjoy your retirement.

Before I finish, I just want to encourage anyone reading this to consider when thinking of any financial requirements you may have, and also if you are talking to a friend feel free to tell them to contact the branch to discuss their financial requirements. I am happy to travel to see anyone about their financial requirements. As I have already said, “The more business we write, the more money we can put back into the communities we represent.”

James Ackland
Branch Manager

Directors' report

For the financial year ended 30 June 2017

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:

Timothy George Chandler
Chairman
Occupation: Small Business Owner
Qualifications, experience and expertise: Qualified Chartered Accountant. Holds Bachelor of Commerce.
Special responsibilities: Current Chairman and Member of Finance, Governance & HR and Youth Committees
Interest in shares: 500 Ordinary shares

Jayne Louise Briody
Director & Joint Company Secretary
Occupation: Medical Scientist
Qualifications, experience and expertise: Holds Bachelor of Applied Science in Medical Science. Treasurer Lexton Football Netball Club, Junior Manager of Lexton Netball Club, President of Lexton Community BBQ. Past President of Lexton Cemetery Trust.
Special responsibilities: Member of Marketing and Youth Committees
Interest in shares: 700 Ordinary shares

Robert John Byrne
Director
Occupation: Senior Victorian Public Servant – Department of Economic Development, Jobs, Transport & Recourses.
Qualifications, experience and expertise: B.Sc (Hons) Melb. M.Comm (Hons) Melbourne. Graduated 1999.
Special responsibilities: Founding Director. Chairman from 2008-2013 and Member of Finance, Governance & HR Committee
Interest in shares: 750 Ordinary shares

Stephen John Crook
Director
Occupation: Operations Manager of the Department of Environment, Land, Water and Planning (DELWP) Customer Service Centre.
Qualifications, experience and expertise: Graduate Certificate in Public Sector Management, Diploma in Frontline Management, Certificate IV in Workplace Training including Workplace Assessor and Certificate IV in Human and Resource Management. Experience of Manager of people and resources.
Special responsibilities: Member of Finance, Governance & HR Committee
Interest in shares: 250 Ordinary shares

Kate Louise Joss
Director
Occupation: Events Manager with City of Ballarat
Qualifications, experience and expertise: Kate holds a Bachelor of Business in Tourism Management and has extensive experience in marketing and events.
Special responsibilities: Member of Marketing and Youth Committees.
Interest in shares: 500 Ordinary shares

Directors (continued)

Nicholas Robert Forbes Shady

Director

Occupation: Farmer, author and business mentor

Qualifications, experience and expertise: Masters in Business and Administration. 25 years experience in farm business. Also holds many Director and Executive position on different local Boards.

Special responsibilities: Member of Finance, Governance & HR Committee

Interest in shares: 2,000 Ordinary shares

Cameron Russell

Director (Appointed 9 November 2016)

Occupation: Entrepreneur specialising in the Hospitality industry

Qualifications, experience and expertise: Small Business Owner, previous Board experience, experience with online marketing, business governance and human relations, development of world tourism events and Co-producer 18 part series and 12 part podcast.

Special responsibilities: Member of Marketing Committee

Interest in shares: 300 Ordinary shares

Jennifer Maree Sheriff

Director (Appointed 9 November 2016, Resigned 5 May 2017)

Occupation: Library Services Co-ordinator

Qualifications, experience and expertise: Beaufort **Community Bank®** Branch Manager 2007-2012, Certificate III in Financial Services, Certificate in Partnering Practice, IAP2 (International Association for Public Participation, Australasia) Certificate in Engagement.

Special responsibilities: Member of Youth Committee

Interest in shares: Nil

Alexander David Carson

Director (Resigned 9 November 2016)

Occupation: Training Assessor

Qualifications, experience and expertise: Governance and strategic planning. Holds Cert IV in Training Assessment and in Business Administration and Cert II in Information Technology.

Special responsibilities: Member of Marketing and Finance, Governance & HR Committees

Interest in shares: Nil

Nigel Charles Ponder

Director (Resigned 9 November 2016)

Occupation: Self employed Business Manager/Owner

Qualifications, experience and expertise: Banking experience. President and Treasurer with Skipton Lions Club. Current member of Beaufort & Skipton Hospital Limited Foundation.

Special responsibilities: Member of Marketing Committee

Interest in shares: 2,000 Ordinary shares

Sharon Michelle Roxburgh

Director (Resigned 9 November 2016)

Occupation: Semi Retired

Qualifications, experience and expertise: Self employed in several businesses. Past Board member and active Guide leader of Guides Australia.

Special responsibilities: Member of Youth Committee

Interest in shares: 600 Ordinary shares

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

No directors have material interest in contracts of proposed contracts with the company.

Company Secretary

The company secretary is Tricia Collins. Tricia was appointed to the position of secretary on 30 October 2007.

Trish has held roles as secretary for various Solicitors and Accountants for 20 years. Initial legal work for opening **Community Bank®** branches around Australia and also with the sale and purchase of shares. Also, runs own farming business with husband.

Jayne Briody was appointed joint company secretary in June, 2015.

Jayne has held roles as secretary for various local community groups for 20 years. She has been employed by St John of God Pathology in Ballarat for 18 years as a Medical Scientist. Jayne also helps run and manages the books and payroll for her family's farming company.

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 of the company for the financial year after provision for income tax was:

Year ended 30 June 2017 $	Year ended 30 June 2016 $
130,400	83,564

Dividends

	Year ended 30 June 2017	
	Cents	$
- Dividends paid in the year:	6	25,826

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		Committee Meetings Attended					
			Marketing		Youth		Finance, Governance & HR Committee	
	A	B	A	B	A	B	A	B
Timothy George Chandler	11	10	-	-	3	3	4	4
Jayne Louise Briody	11	5	11	3	4	-	-	-
Robert John Byrne	11	8	-	-	-	-	10	7
Stephen John Crook	11	8	-	-	-	-	10	9
Kate Louise Joss1	8	6	9	8	4	2	-	-
Nicholas Robert Forbes Shady	11	7	-	-	-	-	10	7
Cameron Russell2	6	4	9	4	-	-	-	-
Jennifer Maree Sheriff3	5	1	-	-	4	3	-	-
Alexander David Carson4	5	3	2	1	-	-	3	1
Nigel Charles Ponder4	5	5	2	2	-	-	-	-
Sharon Michelle Roxburgh4	5	5	-	-	3	3	-	-

A - eligible to attend
B - number attended

1 - (Leave of absence 3 June 2016 to 3 October 2016)
2 - (Appointed 9 November 2016)
3 - (Appointed 9 November 2016, Resigned 5 May 2017)
4 - (Resigned 9 November 2016)

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 (PPT Audit Pty Ltd) for audit and non audit services provided during the year are set out in the notes to the accounts.

There were no non-audit services provided by the auditor during the year ended 30 June 2017 (2016: Nil).

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 9.

Signed in accordance with a resolution of the board of directors at Beaufort, Victoria on 16 September 2017.

Timothy George Chandler,
Chairman

Robert John Byrne,
Director

Auditor's independence declaration

PPT
AUDIT

Beaufort Community Financial Services Limited

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the Board of Beaufort Community Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there have been:

(i) no contraventions of the auditor independence requirements as set out in 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.

PPT Audit Pty Ltd
....
PPT Audit Pty Ltd

....
Jason D. Hargreaves
Director

20 Lydiard Street South, Ballarat

18 September 2016

Liability limited by a scheme approved under Professional Standards Legislation.

Financial statements

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

	Notes	2017 $	2016 $
Revenue from ordinary activities	4	800,767	733,444
Employee benefits expense		(337,971)	(351,852)
Charitable donations, sponsorship, advertising and promotion		(105,724)	(77,310)
Occupancy and associated costs		(33,297)	(32,107)
Systems costs		(20,617)	(22,047)
Depreciation and amortisation expense	5	(23,802)	(23,011)
Finance costs	5	(3,433)	(2,989)
General administration expenses		(117,985)	(106,257)
Profit before income tax expense		**157,938**	**117,871**
Income tax expense	6	(27,538)	(34,307)
Profit after income tax expense		**130,400**	**83,564**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**130,400**	**83,564**

Earnings per share		**¢**	**¢**
Basic earnings per share	25	30.29	19.41

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet
as at 30 June 2017

	Notes	2017 $	2016 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	268,479	200,580
Investment portfolio	8	295,593	279,017
Trade and other receivables	9	56,573	74,021
Total Current Assets		**620,645**	**553,618**
Non-Current Assets			
Property, plant and equipment	10	115,611	122,058
Intangible assets	11	52,404	7,500
Deferred tax asset	12	22,310	13,128
Total Non-Current Assets		**190,325**	**142,686**
Total Assets		**810,970**	**696,304**
LIABILITIES			
Current Liabilities			
Trade and other payables	13	51,391	40,070
Current tax liabilities	12	6,994	28,426
Borrowings	14	5,359	5,685
Provisions	15	27,654	56,016
Total Current Liabilities		**91,398**	**130,197**
Non-Current Liabilities			
Trade and other payables	13	38,447	-
Borrowings	14	21,119	16,120
Provisions	15	9,748	4,303
Total Non-Current Liabilities		**69,314**	**20,423**
Total Liabilities		**160,712**	**150,620**
Net Assets		**650,258**	**545,684**
Equity			
Issued capital	16	430,440	430,440
Retained earnings	17	219,818	115,244
Total Equity		**650,258**	**545,684**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the year ended 30 June 2017

	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2015	**430,440**	**57,506**	**487,946**
Total comprehensive income for the year	-	83,564	83,564
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(25,826)	(25,826)
Balance at 30 June 2016	**430,440**	**115,244**	**545,684**
Balance at 1 July 2016	**430,440**	**115,244**	**545,684**
Total comprehensive income for the year	-	130,400	130,400
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(25,826)	(25,826)
Balance at 30 June 2017	**430,440**	**219,818**	**650,258**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2017

	Notes	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		877,925	785,148
Payments to suppliers and employees		(718,783)	(673,183)
Interest received		1,259	1,022
Interest paid		(3,433)	(2,989)
Income taxes paid		(58,151)	(2,987)
Net cash provided by operating activities	**18**	**98,817**	**107,011**
Cash flows from investing activities			
Payments for property, plant and equipment		(28,856)	-
Proceeds from property, plant and equipment		19,091	-
Net cash used in investing activities		**(9,765)**	**-**
Cash flows from financing activities			
Proceeds from borrowings		30,000	-
Repayment of borrowings		(25,327)	(5,388)
Dividends paid		(25,826)	(25,826)
Net cash used in financing activities		**(21,153)**	**(31,214)**
Net increase in cash held		**67,899**	**75,797**
Cash and cash equivalents at the beginning of the financial year		200,580	124,783
Cash and cash equivalents at the end of the financial year	**7(a)**	**268,479**	**200,580**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2017

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 Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

<u>Compliance with IFRS</u>

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

<u>Critical accounting estimates</u>

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.

<u>Historical cost convention</u>

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.

<u>Comparative figures</u>

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

<u>Application of new and amended accounting standards</u>

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 the branch lease to be capitalised.

<u>Economic dependency - Bendigo and Adelaide Bank Limited</u>

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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.

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.

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

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.

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.

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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.

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.

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

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
- motor vehicles 3 - 5 years

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.

Note 1. Summary of significant accounting policies (continued)

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) Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(iv) 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.

Note 2. Financial risk management (continued)

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.

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.

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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.

Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

Note 4. Revenue from ordinary activities

	2017 $	2016 $
Operating activities:		
- gross margin	586,451	458,889
- services commissions	101,280	148,908
- fee income	64,165	63,939
- market development fund	26,774	50,000
Total revenue from operating activities	**778,670**	**721,736**
Non-operating activities:		
- interest received	1,259	1,022
- other revenue (IOOF portfolio - income)	17,756	16,998
- other revenue (IOOF portfolio - increment)	2,196	(6,483)
- other revenue (sundry income)	886	171
Total revenue from non-operating activities	**22,097**	**11,708**
Total revenues from ordinary activities	**800,767**	**733,444**

	2017 $	2016 $

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	1,001	1,287
- leasehold improvements	7,148	7,992
- motor vehicle	4,596	3,732
Amortisation of non-current assets:		
- franchise agreement	8,211	10,000
- franchise renewal fee	2,846	-
	23,802	**23,011**
Finance costs:		
- interest paid	**3,433**	**2,989**
Bad debts	**167**	**277**
Loss on disposal of assets	**3,467**	**-**

Note 6. Income tax expense

The components of tax expense comprise:		
- Current tax	36,719	34,529
- Movement in deferred tax	6,749	1,623
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	477
- Recognise deferred tax on unrealised losses on investments	(13,867)	-
- Under/(over) provision of tax in the prior period	(2,063)	(2,322)
	27,538	**34,307**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	157,938	117,871
Prima facie tax on profit from ordinary activities at 27.5% (2016: 28.5%)	43,431	33,594
Add tax effect of:		
- non-deductible expenses	989	-
- timing difference expenses	(7,701)	935
	36,719	**34,529**
Movement in deferred tax	6,749	1,623
Recognise deferred tax on unrealised losses on investments	(13,867)	-
Adjustment to deferred tax to reflect change of tax rate in future periods	-	477
Under/(Over) provision of income tax in the prior year	(2,063)	(2,322)
	27,538	**34,307**

	2017 $	2016 $

Note 7. Cash and cash equivalents

	2017 $	2016 $
Cash at bank and on hand	232,736	157,510
Term deposits	35,743	43,070
	268,479	**200,580**

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:

	2017 $	2016 $
Cash at bank and on hand	232,736	157,510
Term deposits	35,743	43,070
	268,479	**200,580**

Note 8. Investment portfolio

IOOF Portfolio

	2017 $	2016 $
- Cash Account	4,309	7,535
- AMP Capital Global Property Securities Fund	11,705	11,731
- Bendigo Balanced Index Fund	150,088	140,894
- Bendigo Diversified Fixed Interest Fund	33,065	32,863
- BlackRock Australian Equity Opportunities Fund	9,664	8,368
- Grant Samuel Epoch Global Equity Shareholder Yield	25,777	23,887
- Macquarie Income Opportunities Fund	14,074	13,524
- Platinum International Fund	21,102	17,440
- RARE Infrastructure Value Fund	9,781	8,623
- Sandhurst IML Industrial Share Fund	16,028	14,152
	295,593	**279,017**

Note 9. Trade and other receivables

	2017 $	2016 $
Trade receivables	50,083	65,713
Prepayments	6,490	8,308
	56,573	**74,021**

	2017 $	2016 $

Note 10. Property, plant and equipment

	2017 $	2016 $
Leasehold improvements		
At cost	247,563	247,563
Less accumulated depreciation	(160,373)	(153,225)
	87,190	**94,338**
Plant and equipment		
At cost	23,771	22,841
Less accumulated depreciation	(20,244)	(19,243)
	3,527	**3,598**
Motor vehicles		
At cost	27,926	29,857
Less accumulated depreciation	(3,032)	(5,735)
	24,894	**24,122**
Total written down amount	**115,611**	**122,058**
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	94,338	102,330
Additions	-	-
Disposals	-	-
Less: depreciation expense	(7,148)	(7,992)
Carrying amount at end	**87,190**	**94,338**
Plant and equipment		
Carrying amount at beginning	3,598	4,885
Additions	930	-
Disposals	-	-
Less: depreciation expense	(1,001)	(1,287)
Carrying amount at end	**3,527**	**3,598**
Motor vehicles		
Carrying amount at beginning	24,122	27,854
Additions	27,926	-
Disposals	(22,558)	-
Less: depreciation expense	(4,596)	(3,732)
Carrying amount at end	**24,894**	**24,122**
Total written down amount	**115,611**	**122,058**

Notes to the financial statements (continued)

	2017 $	2016 $

Note 11. Intangible assets

Franchise fee		
At cost	161,192	150,000
Less: accumulated amortisation	(150,711)	(142,500)
	10,481	**7,500**
Franchise renewal fee		
At cost	44,769	-
Less: accumulated amortisation	(2,846)	-
	41,923	**-**
Total written down amount	**52,404**	**7,500**

Note 12. Tax

Current:		
Income tax payable	**6,994**	**28,426**
Non-Current:		
Deferred tax assets		
- accruals	894	688
- employee provisions	10,286	16,588
- investment portfolio	13,263	-
	24,443	**17,276**
Deferred tax liability		
- franchise fee amortisation	-	2,063
- property, plant and equipment	2,133	2,085
	2,133	**4,148**
Net deferred tax asset	**22,310**	**13,128**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**(9,182)**	**2,100**

Note 13. Trade and other payables

Current:		
Trade creditors	743	2,079
Other creditors and accruals	50,648	37,991
	51,391	**40,070**
Non-Current:		
Other creditors and accruals	**38,447**	**-**

Notes to the financial statements (continued)

	Note	2017 $	2016 $

Note 14. Borrowings

Current:			
Chattel mortgage	**20**	**5,359**	**5,685**
Non-Current:			
Chattel mortgage	**20**	**21,119**	**16,120**

The company repaid in full the existing chattel mortgage in December 2016.

The company entered into a new chattel mortgage during the period with the final instalment due in November 2020. Interest is recognised at an implicit rate of 4.84%. The loan is secured by a fixed and floating charge over the company's assets.

Note 15. Provisions

Current:			
Provision for annual leave		18,406	15,406
Provision for long service leave		9,248	40,610
		27,654	**56,016**
Non-Current:			
Provision for long service leave		**9,748**	**4,303**

Note 16. Contributed equity

430,440 ordinary shares fully paid (2016: 430,440)		430,440	430,440
		430,440	**430,440**

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.

Note 16. Contributed equity (continued)

Rights attached to shares (continued)

(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.

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 any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 258. As at the date of this report, the company had 285 shareholders.

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.

	2017 $	2016 $
Note 17. Retained earnings		
Balance at the beginning of the financial year	115,244	57,506
Net profit from ordinary activities after income tax	130,400	83,564
Dividends paid or provided for	(25,826)	(25,826)
Balance at the end of the financial year	**219,818**	**115,244**

Note 18. Statement of cash flows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

	2017 $	2016 $
Profit from ordinary activities after income tax	130,400	83,564
Non cash items:		
- depreciation	12,745	13,011
- amortisation	11,057	10,000
- gain in value of investment	(16,576)	(7,526)
- loss on disposal of assets	3,467	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	17,447	(20,185)
- (increase)/decrease in other assets	(9,181)	2,894
- increase/(decrease) in payables	(6,193)	3,203
- increase/(decrease) in provisions	(22,917)	(6,376)
- increase/(decrease) in current tax liabilities	(21,432)	28,426
Net cash flows provided by operating activities	**98,817**	**107,011**

Note 19. Fair value measurement

This section explains the judgements and estimates made in determining the fair values of the company's assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the applicable assets have been classified into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

At 30 June 2017	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Recurring fair value measurements:				
Available-for-sale financial assets				
Listed investments:				
- investment portfolio	295,593	-	-	295,593
	295,593	**-**	**-**	**295,593**
Total assets at fair value	**295,593**	**-**	**-**	**295,593**

Note 19. Fair value measurement (continued)

At 30 June 2016	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements:				
Available-for-sale financial assets				
Listed investments:				
- investment portfolio	279,017	-	-	279,017
	279,017	**-**	**-**	**279,017**
Total assets at fair value	**279,017**	**-**	**-**	**279,017**

There were no transfers between Level 1 and Level 2 during the reporting period. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

- Level 1: The fair value of available-for-sale financial assets traded in active markets is based on the quoted market price at the close of business at the end of the reporting period.
- Level 2: The fair value of property, plant and equipment is based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.
- Level 3: There were no fair value measurements by the Level 3 fair value hierarchy.

Note 20. Leases

	2017 $	2016 $
Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	6,987	6,718
- between 12 months and 5 years	22,884	17,077
- greater than 5 years	-	-
Minimum lease payments	**29,871**	**23,795**
Less future finance charges	(3,393)	(1,990)
Present value of minimum lease payments	**26,478**	**21,805**

The company repaid in full the existing chattel mortgage in December 2016.

The company entered into a new chattel mortgage during the period with the final instalment due in November 2020. Interest is recognised at an implicit rate of 4.84%. The loan is secured by a fixed and floating charge over the company's assets.

	2017 $	2016 $

Note 20. Leases (continued)

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	10,277	6,982
- between 12 months and 5 years	37,681	-
- greater than 5 years	-	-
	47,958	**6,982**

The property lease is a non-cancellable lease with a five-year term which was entered into on 1 February 2017, with rent payable monthly in advance. The lease has the option for two further terms of five years.

Note 21. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	5,000	5,600
	5,000	**5,600**

Note 22. Director and related party disclosures

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

Timothy George Chandler
Jayne Louise Briody
Robert John Byrne
Stephen John Crook
Kate Louise Joss
Nicholas Robert Forbes Shady
Cameron Russell (Appointed 9 November 2016)
Jennifer Maree Sheriff (Appointed 9 November 2016, Resigned 5 May 2017)
Alexander David Carson (Resigned 9 November 2016)
Nigel Charles Ponder (Resigned 9 November 2016)
Sharon Michelle Roxburgh (Resigned 9 November 2016)

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.

	2017	2016
Directors' Shareholdings		
Timothy George Chandler	500	-
Jayne Louise Briody	700	700

Note 22. Director and related party disclosures (continued)

	2017	2016
Directors' Shareholdings (continued)		
Robert John Byrne	750	750
Stephen John Crook	50	-
Kate Louise Joss	500	-
Nicholas Robert Forbes Shady	2,000	-
Cameron Russell (Appointed 9 November 2016)	300	-
Jennifer Maree Sheriff (Appointed 9 November 2016, Resigned 5 May 2017)	-	-
Alexander David Carson (Resigned 9 November 2016)	-	-
Nigel Charles Ponder (Resigned 9 November 2016)	2,000	2,000
Sharon Michelle Roxburgh (Resigned 9 November 2016)	600	600

There was a movement in directors' shareholdings during the year.

Note 23. Dividends paid or provided

	2017 $	2016 $
a. Dividends paid during the year		
Current year dividend		
100% (2016: 100%) franked dividend - 6 cents (2016: 6 cents) per share	**25,826**	**25,826**
The tax rate at which dividends have been franked is 27.5% (2016: 30%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	117,373	76,627
- franking credits that will arise from payment of income tax as at the end of the financial year	16,274	30,097
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	**133,647**	**106,724**
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	**133,647**	**106,724**

Note 24. 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.

Community Bank® Directors' Privileges Package

The board has adopted the **Community Bank**® Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank**® branch at Beaufort. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the directors from the Directors' Privilege Package are $nil for the year ended 30 June 2017 (2016: $nil).

Note 25. Earnings per share

	2017 $	2016 $
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	130,400	83,564

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	430,440	430,440

Note 26. 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 27. 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 28. Community Enterprise Foundation™

During the period the company contributed funds to the Community Enterprise Foundation™ (CEF), the philanthropic arm of the Bendigo and Adelaide Bank Group. These contributions form part of charitable donations and sponsorship expenditure included in the Statement of Profit or Loss and Other Comprehensive Income.

Note 28. Community Enterprise Foundation™ (continued)

The funds contributed are held by the CEF in trust on behalf of the company and are available for distribution as grants to eligible applicants. The balance of funds held by the CEF as at 30 June 2017 is as follows:

	2017 $	2016 $
Opening balance	35,016	19,388
Contributions	52,632	37,024
Grants paid	(33,674)	(19,788)
Interest	225	243
Management fees	(2,631)	(1,851)
Balance available for distribution	**51,567**	**35,016**

Note 29. Segment reporting

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

Note 30. 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
17 Lawrence Street
Beaufort Victoria 3373

Principal Place of Business
17 Lawrence Street
Beaufort Victoria 3373

Note 31. 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.

	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2017 $**	**2016 $**	**2017 $**	**2016 $**	**2017 $**	**2016 $**	**2017 $**	**2016 $**	**2017 $**	**2016 $**	**2017 %**	**2016 %**
Financial assets												
Cash and cash equivalents	232,736	157,510	35,743	43,070	-	-	-	-	-	-	0.22	0.24
Receivables	-	-	-	-	-	-	-	-	50,083	65,713	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	5,359	5,685	21,119	16,120	-	-	-	-	6.24	4.48
Payables	-	-	-	-	-	-	-	-	743	2,079	N/A	N/A

Note 31. Financial instruments (continued)

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%	2,420	1,788
Decrease in interest rate by 1%	(2,420)	(1,788)
Change in equity		
Increase in interest rate by 1%	2,420	1,788
Decrease in interest rate by 1%	(2,420)	(1,788)

Directors' declaration

In accordance with a resolution of the directors of Beaufort Community 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.

Timothy George Chandler,
Chairman

Robert John Byrne,
Director

Signed on the 13th of September 2017.

PPT AUDIT

Beaufort Community Financial Services Limited

Independent Audit Report to the members of Beaufort Community Financial Services Limited

We have audited the accompanying financial report of Beaufort Community Financial Services Limited which comprises the balance sheet as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

The Responsibility of the Director's for the Financial Report

The directors of the company are responsible for the preparation and fair presentation 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements* that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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 company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Beaufort Community Financial Services Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

Liability limited by a scheme approved under Professional Standards Legislation.

PPT AUDIT

Beaufort Community Financial Services Limited

Independent Audit Report to the members of Beaufort Community Financial Services Limited

Auditor's Opinion

In our opinion:

a. the financial report of Beaufort Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

PPT Audit Pty Ltd
....
PPT Audit Pty Ltd

....
Jason D. Hargreaves
Director

20 Lydiard Street South, Ballarat

28 September 2016

Liability limited by a scheme approved under Professional Standards Legislation.

Beaufort **Community Bank**® Branch
17 Lawrence Street, Beaufort VIC 3373
Phone: (03) 5349 2322

Skipton agency
17 Montgomery Street, Skipton VIC 3361
Ph: (03) 5340 2105

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