Berowra & District
Community Bank® Branch

Phone 9456 2265

Bendigo Bank

www.bendigobank.com.au/community

ANNUAL REPORT
2017

Shop 9, 1A Turner Road, Berowra Heights, NSW 2082

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Contents

Berowra & District Financial Services Limited

Annual Report for the year ending 30 June 2017

Chairman's Report

The Australian banking environment continues to be very challenging. Extremely tight margins due to record low interest rates and fierce competition for deposit and loan business, rapid changes in technology and customer banking behaviour, regulatory changes and public scrutiny are just some of the factors contributing to very demanding trading conditions.

Your Board is pleased, especially given the circumstances, to report improved results over the previous year:

- Growth in business size from $85.1 million to $89.8 million (5.5%)
- Our first profitable year with a net income of $36,345

The business now has the critical mass that every additional customer account, be it loan or deposit, can contribute to continued profitability.

Your Board's first priority is to continue to profitably grow the business, so that in time your support and patience can be rewarded.

We are fortunate to have a close supportive working relationship with our partner Bendigo Bank.

Whilst they are the 5th largest bank in Australia, they have recognised that their brand could be stronger in NSW. They are in the process of addressing that in 2017/18. All **Community Bank**® branches including ours, should benefit from that initiative.

We will continue to work with community organisations to our mutual advantage, and raise our profile within the Berowra district.

At this point I would like to reinforce our Manager's comments regarding introducing us to any local community organisations that you may be a member of so that we can make them aware of our **Community Bank**® branch offering.

I wish to thank all voluntary Directors for giving their time, skills and energy to this community enterprise. I would like to acknowledge the contributions of Andrew Tuft (longstanding Director and Chair), who resigned during the year.

I wish to welcome new Director Thomas Collins.

Jocelyn Chacon, Manager since October 2008, resigned in September 2017. The Board expresses its great thanks to Jocelyn for her skilled and committed management over nine years, to the benefit of customers, shareholders, staff and the community. We are in the process of appointing a new Branch Manager to continue to profitably grow our business.

Thank you also to our longstanding staff team, Danielle, Ruth Lisa Jenni and Wendy. They are the "face" of Berowra **Community Bank®** Branch and exhibit professionalism and dedication in delivering appropriate products and advice accompanied by excellent customer service.

The coming year will undoubtedly hold significant ongoing and new challenges. The Board is committed to working co-operatively with our major partner, Bendigo Bank, to ensure that our business continues to prosper, for the benefit of all stakeholders. Thank you for your commitment as a shareholder, without which we would not be a **Community Bank**® company you don't bank with us, please consider doing so. Please also advocate on our behalf, enabling us to continue to grow a sustainable business benefiting our community.

Roman Tarnawsky
Chairman

Branch Managers Report

Berowra & District **Community Bank®** Branch has now been open for 11 years and I would like to thank you – the shareholders, for your continued support and loyalty to your Community Bank.

Berowra & District **Community Bank®** is your local provider of all financial services so I encourage you to bring your banking business to our Branch. You may also like to introduce us to community groups you're personally involved in or ask your friends, family and neighbours to come and speak with us, as it is wonderful to know that by keeping your banking local, it will ultimately benefit you as shareholders, the Branch and the local and extended community.

This past financial year, we had close to $12M in lending approvals however we also had a large number of discharges, mainly due to the sale of properties. We were close to meeting budget in lending and deposit growth with overall business growth of $4.75M. We continue to open at least 45 new accounts per month, with products per customer also increasing well. Income generated during the year was nearly $58,000 higher than the previous year. In September last year, we changed to the new Funds Transfer Pricing method, which changed the income generated on various lending and deposit products which has resulted in a positive income increase for us.

We continue to attract a high volume of word of mouth referrals from within our community and are consistently increasing our market share with a steady flow of refinance business. We are also receiving new business generated from members of sporting clubs and organisations we sponsor. Bendigo Bank continue to provide funding as a reward for meeting business targets. It is through that funding that we can continue our sponsorships and donations to the local community.

We have a wonderful team at the Branch: Danielle, Ruth, Lisa, Jenni and Wendy. Most of the staff have worked at the Branch for over 6 years so have an excellent knowledge of the Bank's products and services. We are here to greet you with a smile, and give you personal, friendly service.

I would like to take this opportunity to personally thank my Board of volunteer Directors for all of their hard work over the year, as well as recognise the support given to us from Bendigo Head Office, the NSW State Office and the regional support staff.

If you haven't done so already, please come in and talk to us about all of your personal and/or business banking needs. We also have wealth advisors available to talk with you about your superannuation or financial planning needs. We are open from 9am to 5pm Monday to Friday and from 9am to 12 noon on Saturday or alternatively phone the Branch on 9456 2265, and we will happily assist you.

Thank you again for your support. I am very excited about the year ahead and the continued growth and success of our Community Bank.

Jocelyn Chacon
Branch Manager

Berowra & District 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:

Roman Tarnawsky
Chair *(Appointed 2 May 2017)*
Occupation: Management Consultant
Qualifications, experience and expertise: GAICD, Grad Dip Mgmt Admin, Dip Mechanical Engineering, Dip Civil Engineering. Roman's career has provided experience in engineering, logistics and retail marketing, including franchising and business to business marketing. Roman is also Deputy Chair of Ku-ring-gai Financial Services Limited.
Special responsibilities: Nil
Interest in shares: Nil

Gillian Reed
Treasurer and Secretary
Occupation: Accountant
Qualifications, experience and expertise: Gillian owns an accounting practice providing accountancy and taxations services to sole traders, partnerships, companies, trusts and SMSFs. Member and Secretary of the Rotary Club of Thornleigh, member of Hornsby Chamber of Commerce, ASIC registered agent and Justice of the Peace.
Special responsibilities: Audit & Finance Committee, Human Resources Committee
Interest in shares: Nil

Paul Anthony Cook
Director
Occupation: Self-funded retiree
Qualifications, experience and expertise: Paul holds a Bachelor of Applied Science (Computing) and professional project management qualifications (PMP - PMBOK, Prince 2, MSP). He has 5 years experience in developing retail and front-end banking systems at Metway, 7 years in management and consulting services for superannuation, client identification and compliance at Australian Tax Office, and 6 years experience as a program and project manager for various Federal and State departments.
Special responsibilities: Marketing Committee, Succession Planning, Outer Sydney Cluster (Marketing)
Interest in shares: Nil

Bruce John Waterhouse
Director
Occupation: Retired
Qualifications, experience and expertise: Bruce worked in the financial industry for 32 years, followed by 10 years in sports administration. He has been involved in football as a player, coach and official for almost 60 years. He is a life member of Berowra Football Club as well as Lindfield Football Club and Northern Suburbs Football Association.
Special responsibilities: Audit & Finance Committee
Interest in shares: Nil

Gregory Steptoe
Director
Occupation: Retired
Qualifications, experience and expertise: Gregory is a retired public service administrator, a qualified Justice of the Peace, and the Treasurer of the Berowra Soccer Club.
Special responsibilities: Audit & Finance Committee
Interest in shares: Nil

Directors *(continued)*

Thomas Collins
Director *(Appointed 30 August 2017)*
Occupation: Self-employed Accountant
Qualifications, experience and expertise: Thomas is currently running a private investment business, following a 20 year career in accounting and management with companies including PriceWaterhouse Coopers, Volvo, Pacific Brands, Coleman Brands, and finally as Finance Director for Australia and New Zealand, first for Pure Fishing Australia and then for Jarden Australia, a subsidiary of a Fortune 500 NYSX listed company. Thomas is a chartered accountant by profession. He has continually worked with or as part of company executive management, initially as a member of the Institute of Chartered Accountants in Australia, and more recently as a member of the Chartered Institute of Management Accountants. He has been an active member of the Mt Ku-ring-gai RFS Brigade, managed and coached for the Mt Colah Colts Football Club, lived in Mt Ku-ring-gai for over 10 years, and his children attend Mt Ku-ring-gai Public School.
Special responsibilities: Nil
Interest in shares: Nil

Brett Leonard Hickinbotham
Director *(Resigned 30 August 2016)*
Occupation: Work Health Safety & Risk Consultant
Qualifications, experience and expertise: Brett is passionate about safety and creating work place cultures which ensure safe work environments for both employees and contractors. Underpinning this passion is his background of over 30 years in operational safety and risk management, combined with hands on experience in industry, the military, health sciences, and the emergency services. He has worked in the safety sphere of a wide variety of industries, at site, local, and international levels, and has a substantial variety of skills and knowledge. Working with global business and industry leaders across all levels of the operational spectrum, he has influenced culture and operational practices across procurement, design, management systems, and due diligence frameworks.
Special responsibilities: Human Resources Committee
Interest in shares: Nil

Andrew John Tuft
Director *(Resigned 16 September 2016)*
Occupation: Company Director
Qualifications, experience and expertise: Over 26 years of business ownership and 35 years of Australian Navy Cadets.
Special responsibilities: Chairman, Member of the Human Resources Committee.
Interest in shares: 37,000

Michael Timothy John Every
Director *(Resigned 28 November 2016)*
Occupation:
Qualifications, experience and expertise: During his long and successful career, Mike has worked to develop and build brands, with experience working with market-leading Liquor companies such as Orlando Wines, Haselgrove Wines, Swift and Moore (with iconic brands such as Moët & Chandon, Jack Daniels, Domain Chandon), Corbans Wines (NZ) and Cranswick Estate. Mike joined Peter Lehmann Wines as National Sales Manager in 2003. He was responsible for sales in the key markets of Australia and New Zealand, working closely with the marketing, production and administration teams to develop profitable growth for the Peter Lehmann Brand. In 2010 Mike became a member the Peter Lehmann management team when he was promoted to Director of Sales. Mike was responsible for the implementation of strategy and policy, conducting the business and directing the various business functions to achieve the company's objectives. Mike was responsible for providing direction, market intelligence and making informed decisions on spend to determine actions that would deliver results. Mike was chair of the Peter Lehmann Wines sales, marketing and operations meetings which gave him total visibility of the business which improved global communication and management of forecasting, account and distributor management, and the identification of risks and opportunities. A highly respected person in the Australian liquor industry with a wealth of knowledge and experience, Mike's enthusiasm and drive delivers results.
Special responsibilities: Business Development Committee
Interest in shares: Nil

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 Gillian Reed. Gillian was appointed to the position of secretary on 12 January 2012. Gillian is an accountant and has been a sole practitioner for the past 26 years. She 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 $
321,069	(55,598)

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:

	Directors' Meetings	
	Eligible	Attended
Roman Tarnawsky *(Appointed 2 May 2017)*	2	2
Gillian Reed	10	10
Paul Anthony Cook	10	9
Bruce John Waterhouse	10	7
Gregory Steptoe	10	7
Thomas Collins *(Appointed 30 August 2017)*	-	-
Michael Timothy John Every *(Resigned 28 November 2016)*	5	5
Andrew John Tuft *(Resigned 16 September 2016)*	2	-
Brett Leonard Hickinbotham *(Resigned 30 August 2016)*	2	2

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 board 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 7.

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

Roman Tarnawsky, Chair

Partners in success
Chartered Accountants

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Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Berowra & District Financial Services Limited

As lead auditor for the audit of Berowra & District 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

Berowra & District 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	644,558	578,037
Employee benefits expense		(309,215)	(311,242)
Charitable donations, sponsorship, advertising and promotion		(35,793)	(28,060)
Occupancy and associated costs		(134,720)	(142,078)
Systems costs		(17,226)	(18,418)
Depreciation and amortisation expense	5	(24,308)	(25,423)
Finance costs	5	-	(20,251)
General administration expenses		(71,641)	(88,163)
Profit/(loss) before income tax credit		**51,655**	**(55,598)**
Income tax credit	6	269,414	-
Profit/(loss) after income tax credit		**321,069**	**(55,598)**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**321,069**	**(55,598)**
Earnings per share		¢	¢
Basic earnings per share	22	42.28	(7.32)

The accompanying notes form part of these financial statements

Berowra & District Financial Services Limited
Balance Sheet
as at 30 June 2017

	Notes	2017 $	2016 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	368	347
Trade and other receivables	8	69,019	52,842
Total Current Assets		**69,387**	**53,189**
Non-Current Assets			
Property, plant and equipment	9	137,443	149,167
Intangible assets	10	56,874	2,306
Deferred tax asset	11	269,414	-
Total Non-Current Assets		**463,731**	**151,473**
Total Assets		**533,118**	**204,662**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	52,651	37,296
Borrowings	13	376,088	435,866
Provisions	14	13,855	15,616
Total Current Liabilities		**442,594**	**488,778**
Non-Current Liabilities			
Trade and other payables	12	47,588	-
Provisions	14	24,675	18,692
Total Non-Current Liabilities		**72,263**	**18,692**
Total Liabilities		**514,857**	**507,470**
Net Assets/(Net Liabilities)		**18,261**	**(302,808)**
Equity			
Issued capital	15	728,537	728,537
Accumulated losses	16	(710,276)	(1,031,345)
Total Equity		**18,261**	**(302,808)**

The accompanying notes form part of these financial statements

Berowra & District 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	728,537	(975,747)	(247,210)
Total comprehensive income for the year	-	(55,598)	(55,598)
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	**728,537**	**(1,031,345)**	**(302,808)**
Balance at 1 July 2016	728,537	(1,031,345)	(302,808)
Total comprehensive income for the year	-	321,069	321,069
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	**728,537**	**(710,276)**	**18,261**

The accompanying notes form part of these financial statements

Berowra & District 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		698,078	629,662
Payments to suppliers and employees		(625,535)	(637,230)
Interest paid		686	(20,251)
Net cash provided by/(used in) operating activities	17	**73,229**	**(27,819)**
Cash flows from investing activities			
Payments for property, plant and equipment		-	(3,395)
Payments for intangible assets		(13,431)	-
Net cash used in investing activities		**(13,431)**	**(3,395)**
Cash flows from financing activities			
Repayment of borrowings		(1,945)	(2,479)
Net cash used in financing activities		**(1,945)**	**(2,479)**
Net increase/(decrease) in cash held		**57,853**	**(33,693)**
Cash and cash equivalents at the beginning of the financial year		(433,573)	(399,880)
Cash and cash equivalents at the end of the financial year	7(a)	**(375,720)**	**(433,573)**

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 Standard Boards 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 the branch lease(s) 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 Berowra, 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.

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.

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.

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

b) Revenue *(continued)*

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.

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.

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

b) Revenue *(continued)*

Ability to change financial return *(continued)*

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.

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.

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

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.

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.

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

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) 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.

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.

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

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.

Note 2. Financial risk management *(continued)*

(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.

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

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.

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	499,334	352,183
- services commissions	38,645	102,369
- fee income	70,779	73,485
- market development fund	35,000	50,000
Total revenue from operating activities	643,758	578,037
Non-operating activities:		
- other revenue	800	-
Total revenue from non-operating activities	800	-
Total revenues from ordinary activities	644,558	578,037

The market development fund income is a discretionary income stream provided by our franchisor Bendigo and Adelaide Bank Limited and is calculated on the size of the deposits, loans and other financial products of the Company. The funds are to be spent on marketing, advertising, donations, sponsorships and grants to market the Community Bank.

Note 5. Expenses

	2017	2016
	$	$
Depreciation of non-current assets:		
- plant and equipment	2,616	2,616
- leasehold improvements	6,236	6,066
- motor vehicle	2,872	2,872
Amortisation of non-current assets:		
- franchise agreement	2,103	2,316
- franchise renewal fee	10,481	11,553
	24,308	25,423
Finance costs:		
- interest paid	-	20,251
Bad debts	302	149

Note 6. Income tax credit

The components of tax credit comprise:		
- Future income tax benefit attributable to losses	-	(14,184)
- Movement in deferred tax	-	(204)
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	10,470
- Recoupment of prior year tax losses	14,205	-
- Future income tax benefit not brought to account	-	3,918
- Future income tax benefit brought to account	(283,619)	-
	(269,414)	-

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)	51,655	(55,598)
Prima facie tax on profit/(loss) from ordinary activities at 27.5% (2016: 28.5%)	14,205	(14,389)
Add tax effect of:		
- timing difference expenses	-	205
	14,205	(14,184)
Movement in deferred tax	-	(204)
Adjustment to deferred tax to reflect change of tax rate in future periods	-	10,470
Tax benefits not brought to account	-	3,918
Tax benefits brought to account	(283,619)	-
	(269,414)	-

Note 7. Cash and cash equivalents

Cash at bank and on hand	368	347

Note 7.(a) Reconciliation to cash flow statement		2017	2016
		$	$
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		368	347
Bank overdraft	13	(376,088)	(433,920)
		(375,720)	(433,573)

Note 8. Trade and other receivables		
Trade receivables	56,703	47,313
Prepayments	12,316	5,529
	69,019	52,842

Note 9. Property, plant and equipment		
Leasehold improvements		
At cost	194,511	194,511
Less accumulated depreciation	(82,880)	(76,644)
	111,631	117,867
Plant and equipment		
At cost	73,516	73,516
Less accumulated depreciation	(49,946)	(47,330)
	23,570	26,186
Motor vehicles		
At cost	22,976	22,976
Less accumulated depreciation	(20,734)	(17,862)
	2,242	5,114
Total written down amount	137,443	149,167

Movements in carrying amounts:

Leasehold improvements		
Carrying amount at beginning	117,867	120,537
Additions	-	3,396
Disposals	-	-
Less: depreciation expense	(6,236)	(6,066)
Carrying amount at end	111,631	117,867
Plant and equipment		
Carrying amount at beginning	26,186	28,802
Additions	-	-
Disposals	-	-
Less: depreciation expense	(2,616)	(2,616)
Carrying amount at end	23,570	26,186

Note 9. Property, plant and equipment *(continued)*

	2017	2016
	$	$
Movements in carrying amounts *(continued)*:		
Motor vehicles		
Carrying amount at beginning	5,114	7,986
Additions	-	-
Disposals	-	-
Less: depreciation expense	(2,872)	(2,872)
Carrying amount at end	2,242	5,114
Total written down amount	137,443	149,167

Note 10. Intangible assets

	2017	2016
Franchise fee		
At cost	32,746	21,554
Less: accumulated amortisation	(23,278)	(21,174)
	9,468	380
Renewal processing fee		
At cost	113,729	57,768
Less: accumulated amortisation	(66,323)	(55,842)
	47,406	1,926
Total written down amount	56,874	2,306

Note 11. Tax

	2017	2016
Non-Current:		
Deferred tax assets		
- tax losses carried forward	269,414	-
Net deferred tax asset	269,414	-
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(269,414)	-

Note 12. Trade and other payables

	2017	2016
Current:		
Trade creditors	18,897	18,219
Other creditors and accruals	33,754	19,077
	52,651	37,296
Non-Current:		
Other creditors and accruals	47,588	-

Note 13. Borrowings

	Note	2017	2016
		$	$
Current:			
Bank overdrafts		376,088	433,920
Chattel mortgage	18	-	1,946
		376,088	435,866

The bank overdraft has an approved limit of $550,000 and currently attracts an interest rate of 6% per agreement with Bendigo and Adelaide Bank Limited. The bank overdraft is secured by a Registered First Company Debenture Mortgage from Berowra & District Financial Services Limited.

The chattel mortgage on the motor vehicle was held with Bendigo and Adelaide Bank Limited and repayable over five years. It attracted an average interest rate of 8.45%. The chattel mortgage was secured by a Registered First Company Debenture Mortgage from Berowra & District Financial Services Limited.

Note 14. Provisions

	2017	2016
Current:		
Provision for annual leave	13,855	15,616
Non-Current:		
Provision for long service leave	24,675	18,692

Note 15. Contributed equity

	2017	2016
759,351 ordinary shares fully paid (2016: 759,351)	759,351	759,351
Less: equity raising expenses	(30,814)	(30,814)
	728,537	728,537

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 15. 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 320. As at the date of this report, the company had 354 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.

Note 16. Accumulated losses

	2017 $	2016 $
Balance at the beginning of the financial year	(1,031,345)	(975,747)
Net profit/(loss) from ordinary activities after income tax	321,069	(55,598)
Balance at the end of the financial year	(710,276)	(1,031,345)

Note 17. Statement of cash flows

	2017	2016
	$	$
Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by/(used in) operating activities		
Profit/(loss) from ordinary activities after income tax	321,069	(55,598)
Non cash items:		
- depreciation	11,724	11,554
- amortisation	12,584	13,869
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(16,177)	(6,963)
- (increase)/decrease in other assets	(269,414)	-
- increase/(decrease) in payables	9,222	7,280
- increase/(decrease) in provisions	4,221	2,039
Net cash flows provided by/(used in) operating activities	73,229	(27,819)

Note 18. Leases

Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	-	1,988
- between 12 months and 5 years	-	-
- greater than 5 years	-	-
Minimum lease payments	-	1,988
Less future finance charges	-	(42)
Present value of minimum lease payments	-	1,946

The finance lease of the Hyundai Hatch i30, which commenced in 2010, was a 5-year lease. Interest was recognised at an average rate of 8.45%.

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	119,352	28,364
- between 12 months and 5 years	387,896	-
- greater than 5 years	-	-
	507,248	28,364

The rental lease agreement on the branch premises is a non-cancellable lease with a five year term, with rent payable monthly in advance. The current lease was renewed on 22 September 2016, and contains one further option of five years available to exercise.

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	5,100
- share registry services	1,885	1,800
- non audit services	1,910	1,540
	9,095	8,440

Note 20. Director and related party disclosures

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

Roman Tawnawsky *(Appointed 2 May 2017)*
Gillian Reed
Paul Anthony Cook
Bruce John Waterhouse
Gregory Steptoe
Thomas Collins *(Appointed 30 August 2017)*
Brett Leonard Hickinbotham *(Resigned 30 August 2016)*
Andrew John Tuft *(Resigned 16 September 2016)*
Michael Timothy John Every *(Resigned 28 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.

Directors Shareholdings	2017	2016
Roman Tawnawsky *(Appointed 2 May 2017)*	-	-
Gillian Reed	-	-
Paul Anthony Cook	-	-
Bruce John Waterhouse	-	-
Gregory Steptoe	-	-
Thomas Collins *(Appointed 30 August 2017)*	-	-
Brett Leonard Hickinbotham *(Resigned 30 August 2016)*	-	-
Andrew John Tuft *(Resigned 16 September 2016)*	37,000	37,000
Michael Timothy John Every *(Resigned 28 November 2016)*	-	-

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.

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 Berowra. 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 22. Earnings per share

		2017	2016
		$	$
(a)	Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	321,069	(55,598)
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	759,351	759,351

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 Berowra, 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
Suite 7	Shop 9 Berowra Village Centre
141 Peats Ferry Road	1C Turner Road
Hornsby NSW 2077	Berowra Heights NSW 2082

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	-	-	-	-	-	-	-	-	368	347	N/A	N/A
Receivables	56,703	47,313	-	-	-	-	-	-	56,703	47,313	N/A	N/A
Financial liabilities												
Interest bearing liabilities	376,088	433,920	-	1,946	-	-	-	-	-	-	6.43	4.54
Payables	-	-	-	-	-	-	-	-	18,897	18,219	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%	(3,761)	(4,359)
Decrease in interest rate by 1%	3,761	4,359
Change in equity		
Increase in interest rate by 1%	(3,761)	(4,359)
Decrease in interest rate by 1%	3,761	4,359

Directors' Declaration

In accordance with a resolution of the directors of Berowra & District 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.

Roman Tarnawsky, Chair

Signed on the 26th of September 2017.

Partners in success
Chartered Accountants

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Independent auditor's report to the members of Berowra & District Financial Services Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Berowra & District 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

Berowra & District 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