



# RELATIONSHIPS BEYOND BANKING

**Canterbury Surrey Hills  
Community Finance Limited  
Annual Report 2016**



**Bendigo Bank**

Canterbury Community Bank® Branch  
Ashburton Community Bank® Branch  
Surrey Hills Community Bank® Branch  
Balwyn Community Bank® Branch



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Left: Piggy was out and about at the Ashburton Fair.  
Belowt: Surrey Park Football Club seniors celebrating a win.

## A LITTLE ABOUT US

The Community Bank® story is about each local community working together for better outcomes. It is a relationship between our business and community groups working together to achieve outcomes beneficial to the groups, the bank and the wider community. The Community Bank® makes significant investments to help build our local community.

**Since the opening of our first branch in 2003, we have provided more than \$3million in Community Investments back into the community.**

Bendigo Bank introduced the Community Bank® network to empower local communities. It gave local communities the chance to take a direct equity interest in their local banking service provider, without giving up the advantages of scale so necessary to banking. It was conceived as a genuine partnership, based on a franchise model:

- Bendigo Bank provides the balance sheet, the financial products, systems and training.
- The local community provides the premises, equipment and staff.

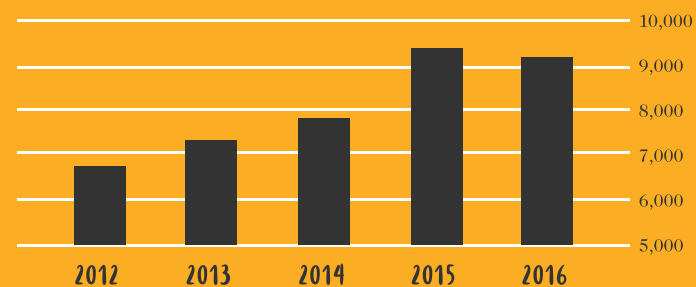
Our Community Bank® branches in Canterbury & Surrey Hills returned banking to these important community retail strips, while our Community Bank® branches in Ashburton and Balwyn took on the major banks and demonstrated how our local community can benefit when the profits are retained here.

Our goal is to provide better banking services to our customers, provide reasonable returns to our local shareholders and to make material Community Investments. We provide various community groups more than **\$200,000** per year to make our local community a better place to live, work and play. We can do this only because our customers choose to bank with us. We remain, at heart, a local company with a primary focus on service, while our partners at Bendigo Bank can provide any banking solution our customers might need – from business banking and personal banking to insurances and, of course, home loans. When the community banks with us we can continue to build our Community.

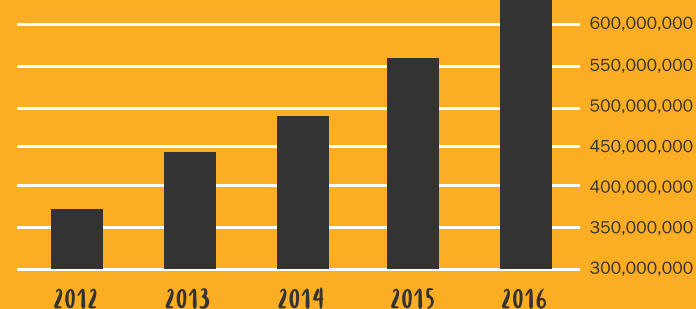


# HIGHLIGHTS

## Customer Numbers



## Footings Growth



## Local Impact



9044

Customers



776

Shareholders



252

Community Groups



23

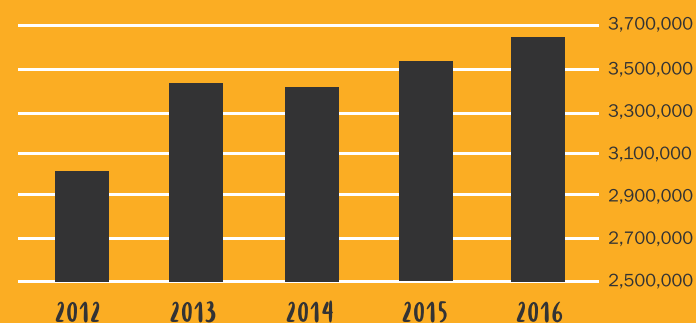
Staff



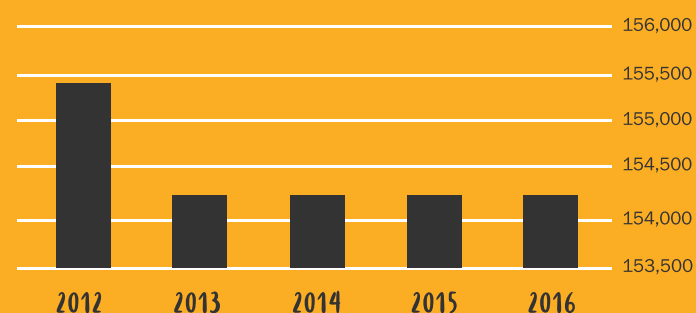
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Directors

## Revenue Growth



## Fully Franked Dividend



## Community Investment

252

Groups supported since 2003

109

Groups supported in 2016

\$3,127,205

Total community investments since 2003

\$334,924

Total community investments in 2016



Above: Piggy enjoying the annual Kris Kindl festival in Maling Road.



Below: Ashy Redbacks and Piggy at the Ashburton Festival.



Left: Attendees enjoying the Business Breakfast.

Below: Community Bank® wreath laid at the Dawn Service held at Surrey Gardens.



Above: Surrey Hills Primary School students participating in jump rope for heart.



# CHAIRMAN'S REPORT

**As a bank we are good with money, but it's bigger than that. We are more interested in the good that money can do. We are about building relationships with our customers to deliver great banking products and services; relationships with community groups and clubs to provide support to help them achieve their goals; and relationships with our community, providing opportunities for our community to thrive.**

It is through our relationships with our community that we thrive and prosper. Working together we achieve outcomes beneficial to the group, the bank and the wider community. Our successful relationships depend on planning, respect, shared values and most importantly a desire to make a positive impact on the community.

During the past year we have continued to strengthen our ties with our community and it is through these relationships, our high level of service, and providing solid and competitive banking products, that we are able to continue supporting both the community in which we live, and the shareholders who provided the means for us to begin the journey. The Company has now exceeded \$3million in community investments since opening the doors of our first branch in Surrey Hills in 2003. This is a significant contribution to the community and there have been many groups that have benefited from our support.

Banking is undergoing significant change and we are not immune. We understand we need to be prepared.

Change in how we all do our banking and when we do it is leading to less customer traffic in our branches at certain times. We have had to reconsider our Saturday opening times, and as a result our Balwyn and Surrey Hills branches are now closed on Saturdays. Whilst the banking environment continues to change, we remain committed to providing exceptional service to our customers. We are currently considering the "branch of the future" and how our branches will provide what we all need.

Your Board has also been looking to the future, and the type of expertise we require to fulfil the needs of our customers. To this end we have engaged a Business Development Manager to provide additional mobile banking services which, along with our Branch Managers, enables us to be increasingly responsive to our customer's desire to have the bank come to them whether that is at work or home.

Bendigo Bank's revenue sharing model has undergone a review and the Board is working with Bendigo Bank to ensure we obtain the best result for the company and our shareholders. The proposed new model is very different and has not been applied to a franchised banking scenario anywhere else in the world. It is for this reason we are endeavouring to ensure its application is appropriate and continues to provide the rewards to shareholders and to our community.

From a results perspective, 2015-16 has been another satisfying year. Revenues are increasing steadily although the margins are continuing to tighten, and you will notice that footings have increased 8.4% although revenue has increased only 4.7%. This means the company needs to work harder to increase business to achieve a similar return to the prior year. This challenge will continue in the year ahead.

Over the past twelve months we have had a focus on consolidation, and setting the foundations to deepen the relationships and engagement program we have with our many community groups. We have continued our focus with Youth Programs. Our involvement in the Boroondara Youth Foundation has provided grants to youth-led, youth-focused projects. We provided scholarships to four local students to attend the Magic Moments Youth Summit held in Sydney. This program provides an amazing opportunity for these clever young people to benefit from personal and business focused mentoring and development. Our Junior Observer program provided the opportunity for High School students to learn about how a publicly listed company is managed.

The planning for a new Community Bank® branch in Hawthorn came to its conclusion at the end of 2015. After much hard work undertaken by the steering committee, Bendigo Bank determined that they would not be prepared to support the establishment of another branch at this time. I would like to thank the steering committee for its efforts during the Hawthorn campaign, particularly Jeff O'Meara and



The Evergreen Centre bus supporting the elderly.



Team building challenges at the Magic Moments Youth Summit.



the other stalwarts of the campaign. There was much time and effort put into the campaign over a number of years and it was sad that we were not able to proceed to the intended conclusion.

I am fortunate to work with a talented group of Directors, who are engaged and committed to achieving great things for our bank and also the community. They are all active participants in community life and bring a wealth of expertise to the Boardroom. They spend time in the community with groups we support, to spread the important message about our Community Bank® branches. This year we have farewelled Geoff Rowles, who has been our Company Secretary since 13 September 2010, and a member of the Board of Directors since 26 April 2012. Geoff was also the Chairman of the Audit and Governance committee, and a member of the Finance Committee. I would like to thank Geoff for his commitment and valued contribution to the Board over 6 years. With Geoff's departure we welcomed Leanne Russell as Company Secretary on 25 November 2015.

We were pleased to welcome two new Directors to the Board during the year. Daizy Maan joined the Board in February 2016 after serving as Chairman of the Youth Advisory Committee for one year. Daizy has considerable experience working with and for youth organisations. She has been part of our family since joining the Boroondara Youth Foundation as a 16 year-old, and was the Boroondara Young Citizen of the Year in 2015. Andrew Whittaker was appointed to the Board in May 2016, having served on the Finance Committee and Community Investment & Marketing Committee for six months, and brings a wealth of knowledge from his more than 40 years' experience in various

professional services and senior executive roles.

In January this year Nick Azar joined us as a Business Development Manager to add to our group of banking experts. During the year Dick Menting resigned as Chief Executive Officer but has remained in his role as Director of the company, and continues his involvement with many community groups. The importance of the growing strength of our relationships had led to the appointment of Anna Gration as Marketing Manager to assist the Board in achieving our marketing objectives, and provide support to the company, our staff and the community groups.

I would like to thank our staff, managers and our Senior Manager, Nick Coker who has continued to oversee the operations of the four branches, and been actively involved in building relationships with many of our community groups. I am constantly impressed by our staff and the contribution they make to the community through their level of service and commitment to the community.

On behalf of the Board, I thank you for your continued support of our Bank and we look forward to a successful 2017.



**Juliann Byron**  
Chairman



Participants at the Toasting our Youth breakfast.

# SENIOR MANAGER'S REPORT



## What does success look like for Canterbury Surrey Hills Community Finance Limited? It is about strength, growth and relationships:

- Strength in the market place and within the Bendigo Bank network (our point of difference)
- growth by delivering the right solutions to ALL our customers
- relationships beyond banking with ALL stakeholders.

Retail banking continues to be extremely competitive and challenging. This is highlighted by the fact that two of our branches are situated in shopping strips that include five other banks. We continue to focus on being more connected with our customers and community groups, ensuring they are aware of the full range of products and services we have on offer. We stand apart from our competition by providing exceptional service and wanting to better understand our customers' needs. As a result of this we have continued to grow in both lending and deposits, but importantly also in insurance products, financial planning referrals and account numbers.

Despite the extremely competitive market, total footings are now \$604.5m which is up \$46.8m (or 8.4%) for the year. We experienced deposit growth of 7.3% (to \$23.9m) and lending increased by 9.8% or \$22.9m. These growth figures compare well with growth in the banking systems broadly, and within the Bendigo Bank network. Across the group, account and customer numbers continued to grow, however we have seen almost a 10% decrease in teller transactions. We know this is attributed to our improved internet banking platform, ATM network and technology changes and, as



Canterbury Girls School students receive a voucher to support their 'Cupcakes for a Cause'.



1st Scouts of Glen Iris honoured Kathy Koulouris with an honorary scarf for Bendigo Bank support to the community.



a result, we have changed our focus and now increasingly interact with our customers by phone and email as well as in the branches.

Despite the growth in footings, we have continued to see tighter margin income as a result of product mix and the shift from variable rate loans to fixed rate loans due to interest rates being at record lows. We will continue to focus on the other income streams, ensuring we offer a holistic approach to all our customers' financial needs.

Balwyn Community Bank® Branch continued to build on its profile within the local community and will be 5 years old in November 2016. Although footings (\$135.9m) have only risen by 2.5% over the year, the branch recovered well after suffering large paybacks of \$7m at the start of the year. Manager Adam Osmani and his team have been very active in reaching out to the many Balwyn community groups and traders, and have increased account numbers by 8%, whilst customer numbers also increased by almost 5%. They now have their sights set on reaching the \$150m milestone over the coming year.

Canterbury Community Bank® Branch has bounced back after a disappointing 2015, achieving some great results in both lending and deposits. Total business on the books increased by 20.8% (\$27.4m) to \$159.1m. Casey Etherton and her team have done a great job in reaching these numbers and the new milestone of \$150m. In addition to this, their community connections continue to increase in number and value. Teller transactions have reduced by 13% over the past year as more clients move towards internet banking.

Ashburton Community Bank® Branch continued to engage in the local community and shopping strip. Although surrounded by five other banks, Kathy Koulouris and her team have continued to pick up business from our competitors. The footings on this book have grown 8.9% to \$114.7m and they are getting real traction with local traders moving banks.

Above: Ashburton Traders thanking the Community bank for the support of the Ashburton Festival.



Account numbers increased by 5.4% and customers by 2.5%.

Surrey Hills Community Bank® branch continued to show itself as one of the leaders of the entire Community Bank® network. Maggie Stamoulis and her team have leveraged off the long term community engagement program which has resulted in substantial lending increases. This year footings have only increased by 3.5% (\$6.6m) to \$194.7m. The branch lost some large deposits due to customers' requirements but we are looking forward to the branch achieving footings of \$200m in the near future.

We have had a number of staff changes during the past year, and in particular new Manager appointments.

I am extremely pleased that our new Managers have all been appointed from our existing teams, and that these promotions have been as a result of our focus on investing in our people.

We have worked very hard to develop a genuine career path for staff. Developing and retaining staff is a key success factor for us, together with recruiting the right people.

In a very competitive field, customer service, knowledge and expertise is a key driver of success.

I would like to acknowledge and thank all our staff, that over the past twelve months have delivered great service to our customers, and demonstrated a passion to assist our community groups and partners.

We have more than 20 staff across our network and we constantly review our requirements, structure and skill set.

We continue to look to innovate and be market leaders within the Bendigo Bank network, recently appointing a Business Development Manager and Marketing Manager. Both are unique roles with a shared objective 'to support business growth'.

Nick Azar, our Business Development Manager, is an experienced lender who works across all sites and extends

our offering 24/7. He is available after hours and for weekend appointments, and also works closely with our referral partners.

Anna Gration, our Marketing Manager, comes to us with extensive corporate experience, and is delivering on the marketing strategy together with assisting all branches with personalised marketing activities within the community.

The Board of Directors continues to support and encourage me and my team and we are grateful for this. The directors are dedicated and driven to enhance our community connections, that have become a major part of the success of the Company. I would like to pay special thanks to Dick Menting who resigned from the CEO role during the year (but has remained as a Director) and Geoff Rowles who resigned as Company Secretary and Director during the year. They have both been of great support to me, sharing their vast knowledge and experiences.



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

Our shareholders and customers deserve the accolades, as they have provided the biggest impact on this business. Without you, there is no Community Investment Program. Your banking is building a better community and the more we can grow by attracting more business, the more we can all make a difference.

**Nick Coker**  
Senior Manager



Left: Richmond Central Amateur Football Club celebrating 30 years in 2016 and grateful for the Community Bank® Support.

Right: Hawthorn Amateur Football Club celebrating premiership victory.

# TREASURER'S REPORT

## Operating results

Strong footings growth this year contributed to a 4.7% increase in revenue and an improvement of 34.5% in our overall Community Returns. Expenses increased at a rate of 2.5%.

Overall pre-tax profits increased by 22.5% from 2015.

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

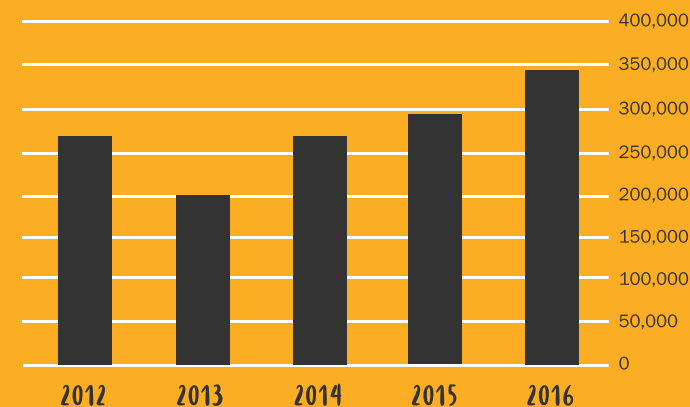
## Dividends

In October 2015, the Company paid a dividend of 5 cents per share (fully franked) based on the performance of the 2015 financial year.

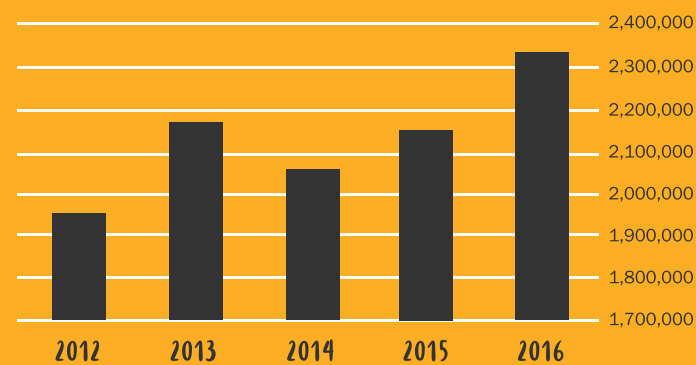
The Directors have determined that a dividend of 6 cents per share (fully franked) will be paid for the 2016 year, which is expected to be paid in October 2016.

Notwithstanding the consistent payment of dividends made by the company over an extended period of time, the shares in the Company have had little change in value on the NSX.

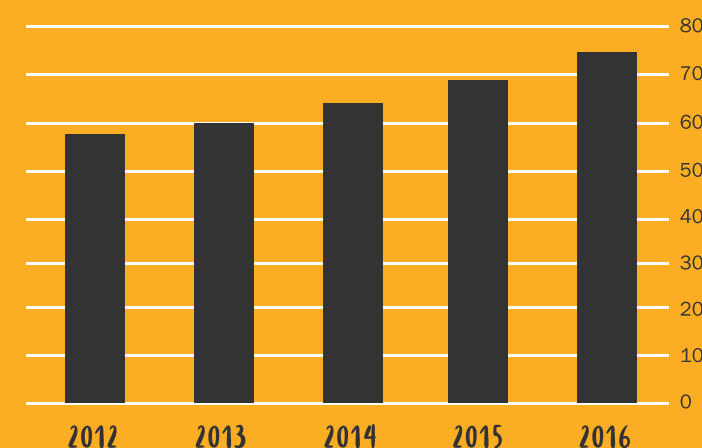
## Net profit after tax (\$)



## Community investments, dividend and salaries (\$)



## Net asset value - Cents per share (cents)



At the 2015 AGM shareholders approved the proposal by the Board to establish an on-market share buy-back program to reduce the equity base of the Company and improve the overall use of capital. The share buy-back price commenced at the market bid price and has been further increased over time. There were no transactions processed using the buy-back mechanism to 30 June 2016.

**Gordon McFarlane**  
Treasurer

Right: Tai chi participants at Balwyn Evergreen Welfare Centre



Above: Balwyn Primary School Principal and students receiving their cheque to fund the purchase of a defibrillator for their school.



Above: Hawthorn Amateur Football Club celebrating premiership victory.



# REVIEW OF OPERATIONS

In the 2015 Annual Report we identified the strategic issues we wanted to focus on. We have set out those issues below and rated how well we performed in delivering those initiatives.



## Business Strength

### What we wanted to do

The Bendigo Bank has undergone a significant review of the revenue sharing arrangements with its franchise partners, in response to the tight retail banking environment and reduced margins in the banking sector generally. Proposed changes will have a significant impact on the Community Banking sector. A number of our directors have been working closely with Bendigo Bank to ensure that our views and perspectives are accounted for during this review.

The key strength of our business is the genuine connection with the community that banks with us. We wanted to build on this strength and develop clear pathways for our customers' banking business to be reflected in the community balance sheet we are growing.

We wanted to continue to develop the contact program we have established with our key community groups to ensure we develop genuine partnerships and better outcomes.

### What happened

The Board has been in ongoing discussions with Bendigo Bank to obtain the best and most reasonable outcome from the revenue sharing review. This will continue into the next year as there are many factors which we believe need to be discussed further with our franchisor to ensure we obtain the best outcome possible. This outcome needs to be in the best interests of the Company, our shareholders, and the communities that we serve.

We have prepared a strategic marketing plan, and directed resources to implementing a focused engagement program to deepen the relationships we have with our community groups and clubs. We plan to increase our visibility with our major community partners, to ensure we make the best of opportunities to increase our reach and further develop our business connectedness.

We have undertaken to promote the Community Investment Program more actively to our community groups and clubs, to demonstrate the opportunity to generate revenue for the group through their member/supporters' banking.



Community Result:  
Strong



Overall Result:  
Good

## Telling our Story

### What we wanted to do

We wanted to focus on telling the Community Bank® story, ensuring the local community understands what we offer and how it can benefit them. We wanted to ensure the community is aware of the impact our contributions have on the community groups, on our local youth and on our customers' banking experience. We have a significant story to tell. We have contributed more than \$3million directly back into the local community through our Community Investment Program. For our shareholders, our staff and the community groups, this Program has made a substantial impact on our local community.

### What happened

We appointed a Marketing Manager and have prepared a strategic marketing plan. The plan outlines a clear direction for the marketing activity of our business.

We have prepared a communication plan to get our community message out to all the local population, in an effort to drive the acquisition of new business.

We are communicating regularly through our monthly eNewsletter and through Facebook. Our challenge is to grow our subscriber list for the newsletter and increase our following on social media.

We have relaunched the website and are reviewing our social media and its use in the organisation. The Youth Advisory Committee has been very active in this area, providing the Board with input about how we may improve the way we communicate with our community partners and the many youths who are part of the community.

We have again held two business breakfasts during the year which provides us with another opportunity to talk to our customers, partners and potential customers about what we can do for them. One of these breakfasts provides the opportunity to hear from the Chief Economist from the Bendigo and Adelaide Bank regarding the economy and what is likely to happen in the year ahead.



Community Result:  
Good



Overall Result:  
Positive



Community Result:  
Positive



Overall Result:  
Slow

## Project Development

### What we wanted to do

We wanted to explore the opportunity for us to support a large project with a long term impact on our community. We will consider projects that will significantly benefit the local community and look at how we can partner with governments at all levels to make a substantial Community Investment. We recognise that the right project may take some time to identify, however it will continue to be a focus for us.

### What happened

We have continued to investigate project opportunities and will do so into the future. The past 12 months has seen us invest in local projects and start to accumulate funds for other, perhaps larger, projects in the future. In addition to the many sporting and community groups we have supported, we supported the Love Bites program through Camcare. Love Bites is a Domestic and Family Violence and Sexual Assault prevention program. We have provided a motor vehicle to Camcare to allow it to deliver services to people in our local community facing personal hardship or difficult life circumstances. We have invested significantly in our Youth programs, providing opportunities for entrepreneurial and bright young minds to make a difference in their community. We will continue to work with community groups to seek project(s) that we can foster and support. This is a long term goal, that may require a large investment and may take several years to achieve. This will remain a priority but one which we will report back when we are closer to achieving the goal.



# FUTURE FOCUS

## Building the Business

Over the past year we have worked towards ensuring we have the right structure and team to provide us with the best opportunities to continue to grow our business. This will be important to continue in the year ahead. We are looking to appoint another Business Development Manager to provide the capacity to increase our flexibility and grow the business beyond the traditional branch network.

Our staff are attuned to the business and the many products we have to offer our customers. There will be more focus on increasing the number of products we have per customer which is low compared with other banks. Building customer awareness of our products - that we offer all the same products as other banks - will be important for our growth.

We will also continue to work with our community groups to provide all we can to fulfil their members' needs. Our marketing ability has been enhanced with the appointment of the Marketing Manager, and we are now able to provide more marketing material to our community groups and with this broader reach, increase our business.

Our online capabilities are being reviewed and we hope to improve the traffic to our website by making more company forms (such as sponsorship forms) available on the website. Our Youth Committee has been guiding our social media strategy to ensure we continue to be relevant. Social media is now used by almost everyone, and we need to embrace this and encourage more connectedness by using this media. This will be another focus of the Marketing Manager and something the branches will be exploring.

## Strengthening our Community Engagement

While we are proud of our community engagement, we know this can be strengthened. Our marketing program will continue to address this and ensure we continue to make meaningful and successful partnerships with our community.

We will ensure that our community understands what is possible through a mutually beneficial relationship, and how much the community can benefit. There are many worthy aims and targets being set by community groups, and many of these can be achieved via our incentive program.

The incentive program encapsulates a strong and meaningful partnership and it will be our focus for the year ahead. We will start with our larger and more engaged community groups, but the offer is available to all who may wish to take part. Community groups can benefit even more from a relationship with us - they identify a need and achieve the target simply by banking with us. The community and the bank benefit.

Via this program, we can achieve many larger projects than we could through sponsorship alone.

## Continual Improvement and Renewal

We have looked to our structure and what is required to prepare us for the future. In addition to the new Business Development role to provide more mobile banking, we also need to look to the future for the Board. To this end we have sought persons with the appropriate skill set to join Committees of the Board. This provides the Committee members have an opportunity to see how the Company works and understand of how we differ from a traditional company. The greater depth of the committees enables the Board to expand its capability.

# BALWYN BRANCH REPORT

### Branch Manager

Adam Osmani

### Staff

Madeleine Smith  
Amit Kumar  
Dot Tamburrini  
Bev Bjornesjo

It has been a challenging past 12 months for the Balwyn branch, but we have managed to retain the same level of business despite significant staff movements. We were able to acquire considerable new business during the year to counter some significant commercial loans that were paid out. Our focus on providing suitable products and services to our customers has resulted in high numbers of insurance sales, wealth/financial planner referrals and new accounts.

We continue to work closely with our local community groups and have provided more than **\$20,000** in sponsorships to the community. Some of the highlights include:

- Balwyn Primary School with funds to purchase a defibrillator
- supporting several sporting clubs to assist with development programs, purchase of equipment and uniforms
- Balwyn Rotary for its Annual Rail day for children with a disability
- supporting the Balwyn Evergreen Centre by providing funding to assist with their bus to support the travel needs of the centre users.

In the coming year we will continue to provide our customers with a service and relationship beyond just banking. We deliver a high level of service accompanied by a great range of products that are highly competitive in the current market. We realise that a large number of our customers use more than one financial institution. Our goal this year is to promote our full suite of products to these clients in an endeavour to service a greater share of their financial requirements.

We plan to grow our customer base through regular engagement with our community groups and clubs. We will visit our clubs and community groups, presenting the benefits of doing business with us to their members and supporters. Our staff are committed to building strong relationships that will deliver banking business and services.

Adam Osmani  
Manager

TOTAL FOOTINGS  
\$135.9M



### Deposit Growth



### Lending Growth



### Other Business Growth



### Total Growth





# CANTERBURY BRANCH REPORT

## Branch Manager

Casey Etherton

## Staff

Ashley Wingfield  
Jacob Gordon  
Kamna Madan

The Canterbury branch has seen some big changes over the past year, with staff movements presenting exciting new opportunities. The branch has worked hard to drive business and increase both our lending and deposit books. We have seen positive results, achieving targets for both our lending and deposits and achieving overall growth of 20%.

Our Community Investment Program has delivered financial support to many programs, events and clubs throughout the local area. Each year, the Canterbury branch is the major sponsor of the Maling Road Kris Kindl Festival in association with the Maling Road Business Association. This is a much anticipated event on the annual calendar and is a wonderful opportunity to bring the community together. We have continued our support of the Boroondara Netball Association, providing funds to assist with upgrades in online technology. We support the Hawthorn Cricket Club 'Multicultural Kids Come and Try' day providing an opportunity for aspiring young cricketers to give the sport a try.

Looking forward, the team at Canterbury will continue to work hard at developing new relationships with potential customers and businesses, and to further collaborate with our community groups to continue to drive success for the business. Bendigo Bank continues to evolve and create a larger product offering in line with the major banks, which assists the staff in creating further brand awareness and tailoring packages for our customers' needs.

We will continue to work with the local community and not-for-profit groups to share our community investment story. We will seek to deepen our existing relationships, and promote our full suite of banking products and tailored packages to suit individual needs. Our staff will continue to attend functions and events to promote our banking specialists and ensure we are providing the community groups and their members with all their banking needs.

Casey Etherton  
Manager



TOTAL  
FOOTINGS  
\$159.1M

## Deposit Growth



## Lending Growth



## Other Business Growth



## Total Growth



# ASHBURTON BRANCH REPORT

## Branch Manager

Kathy Koulouris

## Staff

Indu Angammana  
Manjula Wijiseri  
Emily Wellesley-Winter  
Evelyn Butler

The Ashburton branch has worked extremely hard this year to grow the business through referrals from the existing client base and working closely with community groups and other business partners.

Our branch was the major sponsor of the Ashburton Village Festival held in February, which was a huge success with over 10,000 people attending on the day. We also supported local youth through The Edge and the Boroondara Youth Foundation. Through our involvement with local clubs, community groups and schools, we encourage members to bank with us so we can continue to increase our investment in the community.

In the past year we have provided funding support to many sporting clubs, allowing them to purchase equipment, implement development programs and provide opportunities for participation. We have provided financial assistance to aged care facilities providing residential and specialist day respite programs for the elderly. We have provided funding to Camcare that provides valuable support to people in the community experiencing hardship.

In the coming year we plan to continue to raise the awareness of our holistic banking solutions across existing and new customers. We will continue to develop our relationships with local community groups to promote our banking, insurance and financial services to their members and supporters, and in return provide benefits to these groups through our sponsorship and incentive programs.

We will strive to build relationships beyond banking with our client base, as this will lead to greater business opportunities. Our staff will be attending various events and functions throughout the community in our endeavour to build long term relationships that benefit all parties.

Kathy Koulouris  
Manager



TOTAL  
FOOTINGS  
\$114.7M

## Deposit Growth



## Lending Growth



## Other Business Growth



## Total Growth





# SURREY HILLS BRANCH REPORT

## Branch Manager

**Maggie Stamoulis**

## Staff

Dean Cherry  
Jo-Anne May  
Helen Sargeant  
Eve Waterstone

The Surrey Hills branch has worked hard this year to drive new business. Strong customer advocacy is evident in new business written via the existing client base, whether it be for their own lending requirements or referrals.

We continue to build on our strong partnership with local community groups and clubs. Our relationship with the Hawthorn Amateur Football Club demonstrates the reciprocal benefits that can be achieved through regular engagement. The club's committee is a strong advocate of our Community Bank® branches. Our branch team, Senior Manager and Directors have an ongoing presence at club events and member and player gatherings. This partnership has resulted in ongoing business for the branch, including home loans, personal loans, credit cards and transactional accounts. We have rewarded the club with cumulative financial payments of almost \$40,000 in sponsorships and incentive payments. We have a similar relationship with the Mont Albert Cricket Club where more than \$5m in mortgage lending has been made to club members in this current financial year.

At a community level we have a strong relationship with the Surrey Hills Neighbourhood Centre, the centre provides a diverse range of services to the local community, including an annual music festival for which we are the major sponsor. The centre is a strong advocate of the local community and a great supporter of our branch.

In the coming year we plan to grow our business with community partnerships and will continue to develop external networking opportunities. Through building an awareness of our full range of products and services, we will continue to take a holistic approach to the customer's experience as a 'one stop shop' to support their financial goals. We will support our staff through professional development opportunities, enabling them to provide strong customer experiences and achieve their professional goals.

**Maggie Stamoulis**  
Manager



TOTAL  
FOOTINGS  
\$194.7M

## Deposit Growth



## Lending Growth



## Other Business Growth



## Total Growth



# COMMUNITY REPORT

Our Community Investment Program has continued to provide valuable funds to the community through sponsorship, grants and incentive payments. We are working closely with our groups to deepen the relationships with them to ensure we can achieve a return on the investments we make in the community. Our program seeks to deliver a return to the Company in the form of growing banking business. This additional banking business will grow the profits of the Company and allow us to increase the Community Investment Program even further. Incentive payments further recognise the groups for banking undertaken by their members and provide a valued revenue stream.

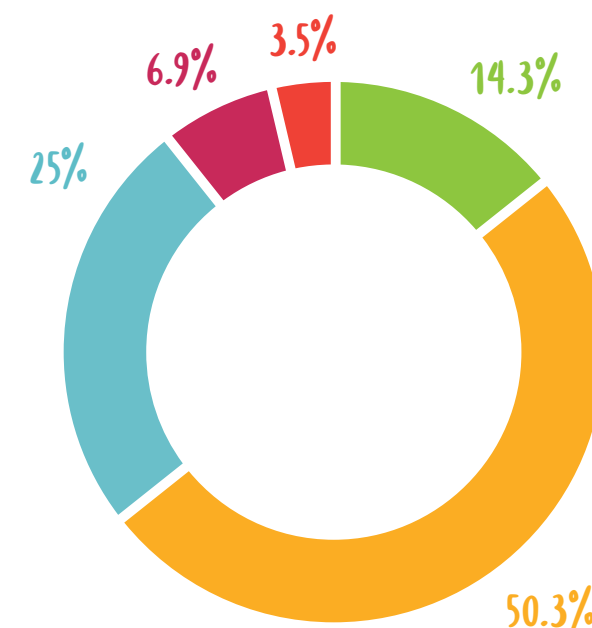
**Our Company supports local people to create communities they want to live in. Our valued partnerships and initiatives strengthen the communities in which we operate. Our Community Investment Program enables the community to share in our success. It is much more than handing out money through sponsorships, grants and incentives. It is about building relationships to develop a strong and prosperous community.**

## COMMUNITY GROUPS

In 2016 the Community Investment Program made contributions to 109 community groups. The allocation of funds across the various segments was in proportion to the longer term investments we have made and includes the allocation of funds to support community projects. In total, 252 different groups have received funding under the Community Investment Program since the company commenced in 2003.

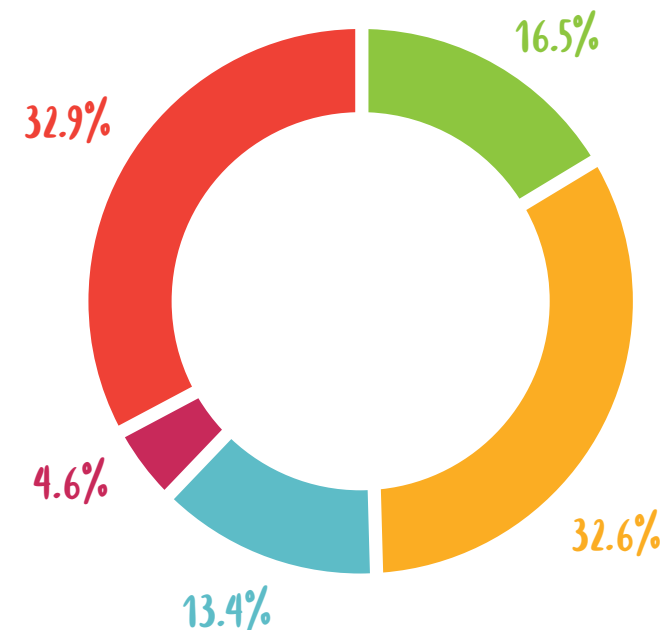


## Total Community Investment Since 2003





### Total Community Investment 2016

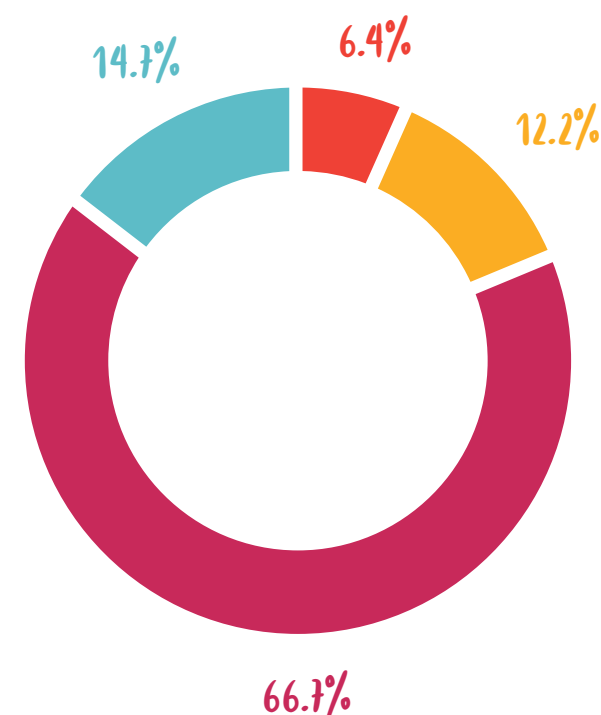


## COMMUNITY GROUPS AND EVENTS

This part of our Community Investment Program includes special interest groups, community and trader events and our investment into youth programs. In 2016 we continued support of the local traders associations and their associated events. We contribute significantly to local youth, through the Boroondara Youth Foundation, the Magic Moments Foundation and our Junior Observer program.



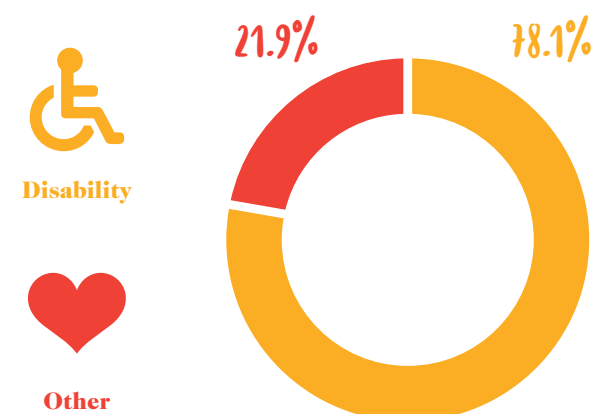
### Community Groups & Events



## COMMUNITY WELFARE

Community welfare groups have received almost \$800,000 through our Community Investment Program since 2003. In 2016 support has been provided to many groups with a large component supporting organisations providing disability support services.

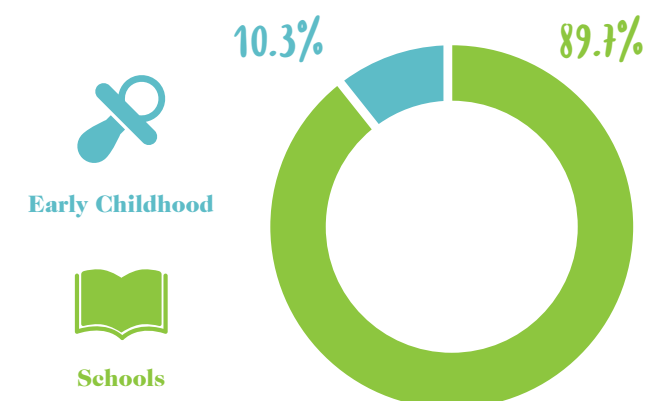
### Community Welfare Investment in 2016



## SCHOOLS AND EARLY CHILDHOOD

Schools and Early Childhood organisations provide a key function in our community. In 2016 we helped schools purchase equipment and to supported community events including fairs and special events. We have a number of School Banking programs, providing children with a banking experience while they save for the future, and an opportunity for school families to move their banking to the Community Bank®.

### Schools and Early Childhood

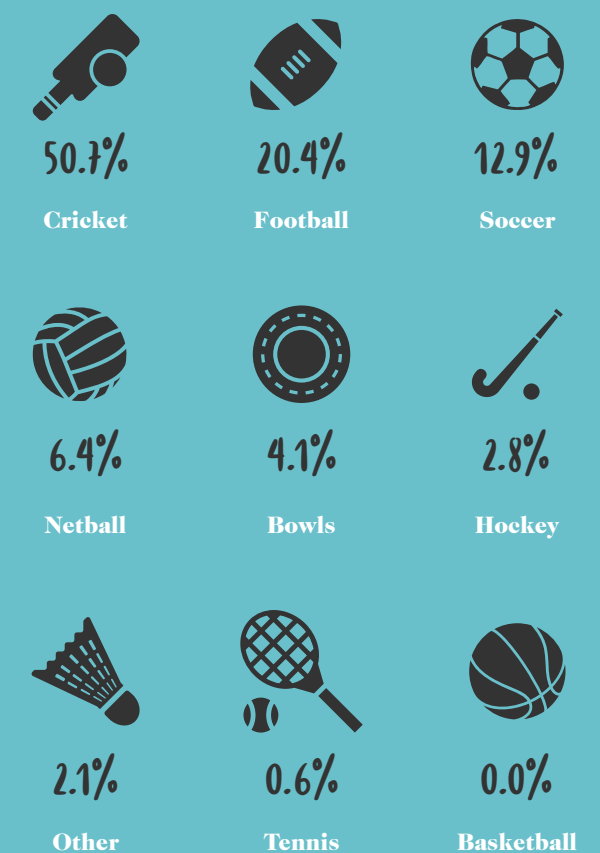


## SPORTING CLUBS

Sporting Clubs investment was shared across more than ten sports, demonstrating our commitment to this segment. We support clubs that provide opportunities to all ages, gender and ability.

A significant contribution has been made to Cricket clubs during the year and this reflects the desire for these clubs to expand their cricket programs to include women's and girls' teams. The amount also reflects the strength of the relationship with some of the cricket clubs and the banking support they provide to us.

### Sporting Clubs Investment in 2016





# DIRECTOR PROFILES



**Robert Einar Stensholt**  
**Deputy Chairman – Non Executive**  
BA, BD(Hons), M Int Law, Dip Phil

Bob has had an extensive career including roles as a senior diplomat, Assistant Director General for AusAID, senior research fellow, consultant and for over ten years as the state Member of Parliament for Burwood. Bob is now Chief of Staff to a Victorian Government minister.

Bob is a member of the Community Investment & Marketing Committee (Chairman to December 2015) and is a member of the Finance Committee.



**Hans Diederick Menting**  
**CEO (resigned 30 November 2015)**  
**Director- Non Executive**  
BCom, MBA, MAICD

Dick was the foundation Chairman of Canterbury Surrey Hills Community Finance Ltd and previously spent 35 years in banking, finance and administration. Dick retired as a Councillor for Boroondara City Council and continues to run a local small business. He is Chairman of the Inner East Region for Cricket Victoria.

Dick is the previous Chief Executive Officer, Chairman of the Staff Committee and a member of the Finance Committee, Community Investment & Marketing Committee, and the Events Committee.



**Damien Leo Hudson**  
**Director – Non Executive**  
BCom, MBA, MAICD

Damien has over 10 years experience in local real estate. More recently, Damien has established businesses providing management services to community organisations. Damien is the Chairman of the Events Committee.



**Juliann Ruth Byron**  
**Chairman – Non Executive**  
BCom, Grad Dip CM, FCPA, FAICD, AGIA, ACIS

Juliann has extensive experience in the accounting and finance fields. She has provided corporate secretarial, management and governance consulting services over many years, and is a non-executive Director on public and not for profit company boards.

Juliann is a member of the Finance Committee, Staff Committee and the Audit & Governance Committee. As Chairman, she also attends other committee meetings as required.



**Gordon Lennox McFarlane**  
**Director & Treasurer – Non Executive**  
Cert Bus (Acc), BBus, CPA, MBA, GA-ICD, JP in Victoria

Gordon has extensive experience in the water industry where he worked in finance, contract management, governance and product development roles. Gordon is now a Senior Election Official with the Victorian Electoral Commission.

Gordon is the Treasurer and Chairman of the Finance Committee and also attends the Audit & Governance Committee as a non-voting guest.



**Geofery Leslie Rowles**  
**Director and Company Secretary (UNTIL 30 November 2015)**  
**– Non Executive**  
BBus, PDM, MBA, GradDipACG, FCPA, FGIA, MAICD

Geoff is a chartered secretary with experience as a former public accountant and tax agent. Geoff has more recently been a Director and Secretary of public and private companies and is the responsible officer for a number of Mortgage Investment Funds. Geoff resigned from his role as Company Secretary and Director on 30 November 2015. Prior to his resignation Geoff was the Chairman of the Audit & Governance Committee and a member of the Finance Committee.



**Andrew Graham Whittaker**  
**Director - Non Executive**  
FCA, GAICD

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

Andrew is a member of the Finance Committee and is Chairman of the Community Investment and Marketing Committee.



**Leigh Warren Smith**  
**Director – Non Executive**

Leigh is a Director and shareholder in a number of Melbourne and country Victoria motor vehicle dealerships, trading as Garry and Warren Smith Group, Goulburn Motor Group and the Big Garage and he is also a director of Australian Automotive Dealer Association Ltd. He has extensive experience in sales and marketing, management, human resources and contractual arrangements.

Leigh is a member of the Staff Committee and the Audit & Governance Committee.



**Daizy Maan**  
**Director – Non Executive**

Daizy was appointed to the Board in February 2016 after serving as Chairman of the Youth Advisory Committee for one year. Daizy has considerable experience working with and for youth organisations. She is currently studying commerce and law, working with Deakin University on its new innovation and entrepreneurship program and making a meaningful contribution to the community through her involvement in Social Enterprise Collective and various other volunteer roles. She has volunteered for the Boroondara Youth Foundation for 5 years and currently serves on the grant panel. Daizy was the Boroondara Young Citizen of the Year in 2015.

Daizy is the Chairman of the Youth Advisory Committee and is a member of the Audit & Governance Committee.

## SENIOR MANAGER



**Nicholas Coker**  
**Senior Manager**  
Adv.Dip.FS(FP), GAICD

Nick has been the Senior Manager for Canterbury Surrey Hills Community Finance Ltd since 2009, providing overall banking operations management to all of the four branches. Nick is a career banker, having come to the Community Bank® network from one of the major banks. Nick drives the business plans for each branch in conjunction with each manager and leads the community engagement programs.

Nick attends all Board meetings and also attends committee meetings as required.

# GOVERNANCE REPORT

**Canterbury Surrey Hills Community Finance Limited (“the Company”) is listed on the National Stock Exchange (“NSX”). The ASX Corporate Governance Council’s – Principles of Good Corporate Governance and Best Practice Recommendations (“ASX Principles”) are not compulsory for NSX listed companies. However, this report addresses both the five corporate governance issues identified by the NSX and the ASX Principles (2nd edition) in its report on its Governance Framework.**

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

## Policies & Procedures to ensure compliance with the law

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

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

**Monthly Secretary Reports** - The Company Secretary provides a report to the Board each month regarding the various compliance obligations and notes any outstanding matters. The Secretary manages all NSX and ASIC reporting requirements, and monitors compliance with the franchise agreement and Company constitution.

**Compliance Calendar** - The compliance requirements have been defined and listed in a Compliance Calendar which is reviewed by the Audit & Governance Committee annually. The individual items are reported by the Secretary each month to the Board.

**Director Share Trading Policy** - Directors are not permitted to trade in the Company’s shares except during two periods following the disclosure of the Company’s accounts, and provided that they are not in possession of “Inside Information”.

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

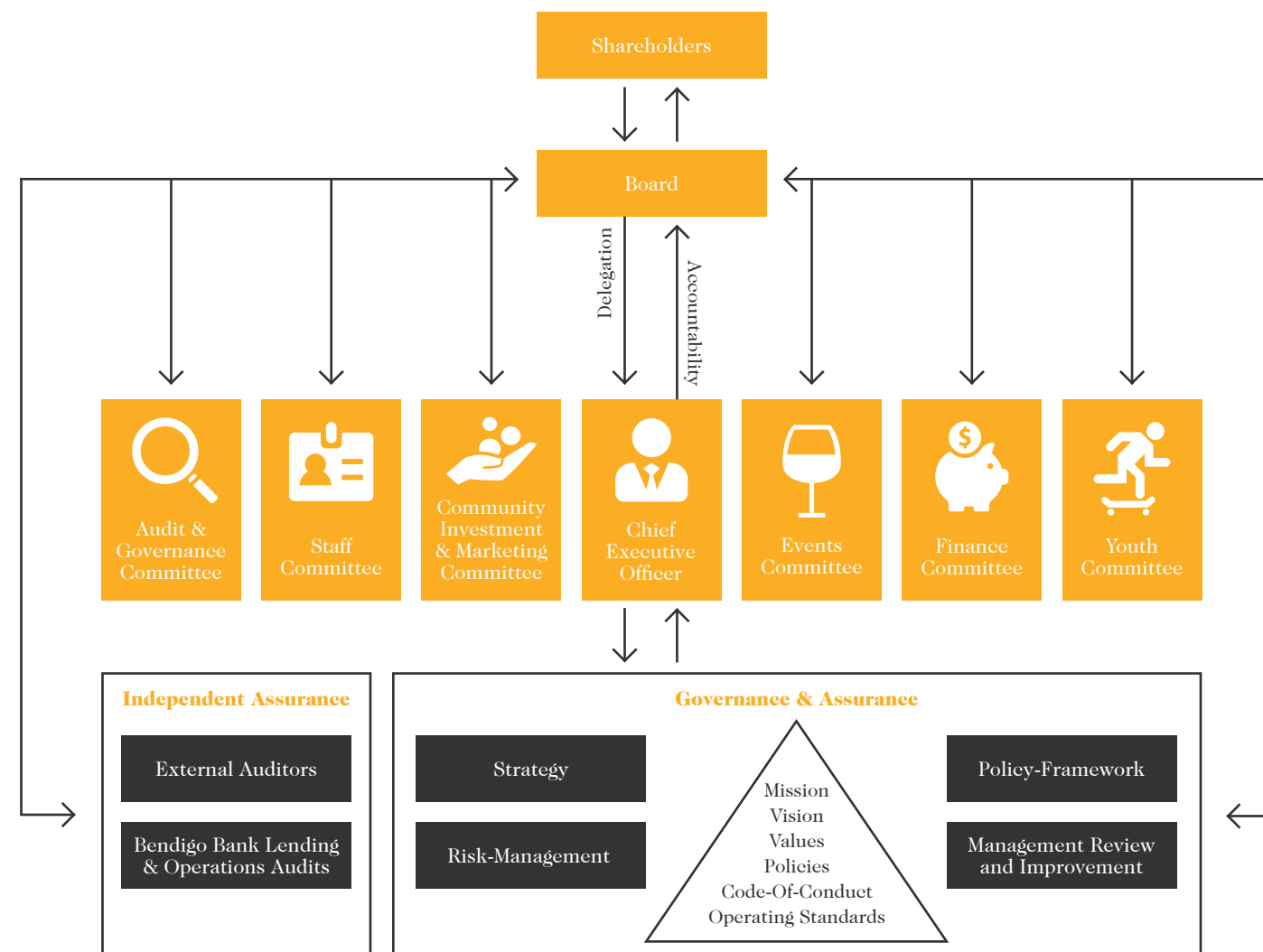
**Audit & Governance Committee** - This Board committee has a special role in ensuring the Company complies with its obligations. More details are set out below.

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

### Company Structure

Our company does not have an extensive executive structure because of its scale and the desire of the Board to be directly connected to the local community. The executive consists of the Senior Manager; a Director holds the position of Company Treasurer and there is a separate Company Secretary.

Due to the size and scale of the Company, Directors are heavily involved in many practical roles such as marketing and risk management that might otherwise be overseen by an executive in a larger company. Directors are not specifically remunerated for this (see details of this policy in the Remuneration Report on page 33). The Board does not have a Remuneration Committee as the Board remuneration has not changed for some years and the Board as a whole deals with the CEO and Senior Manager remuneration.





Details of each Board Committee is provided below.

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

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

### Board Performance Review

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

- The Audit and Governance Committee to prepare a review of the Board as a whole when called on by the Chairman. This may be an externally facilitated review if the Board considers this necessary;
- The Chairman and the chair of the Audit and Governance Committee to review the performance of the Committees annually;
- The Chairman to meet with each director annually to review each Director's personal performance.

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

### Role of the Chairman

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

### Role of the Senior Manager

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

### Board Appointments

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

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

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

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



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

The Company maintains a Conflicts of Interest Register to record each Director's ongoing material personal interests. The register is managed by the Secretary and is published on our internal web portal, and is tabled at a Board meeting every three months. Every Board and Committee meeting also has a scheduled item calling for participants to declare any actual or potential conflicts of interest with the scheduled agenda items.

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

### Policies and Procedures to protect the interests of shareholders

#### Communication Procedures

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

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

The Company applies a rigorous process regarding its continuous disclosure obligations. The Company takes advice from its Secretary at each meeting on the need to make disclosures to the market in order to comply with the Continuous Disclosure requirements of the Corporations Act. These disclosures are published on the NSX website at:

<http://www.nsx.com.au/summary/CSH>

The Company website includes an investor section with greater information resources. The Company recognises the importance of its Governance Framework and provides all stakeholders with access to this information on the website at:

<http://supportingourcommunity.com.au/investor-relations/>

Shareholders are able to access forms and assistance for the management of their shareholding from the Company's share registry provider at:

[http://www.rsdadvisors.com.au/our\\_services/community\\_bank\\_share\\_registry](http://www.rsdadvisors.com.au/our_services/community_bank_share_registry)

### Risk Management

The Company has developed its own formal Risk Management System ("RMS") and tools to identify and record the various risks to the Company and its business. The RMS is based on the international standard ISO 31000-2009 Risk Management and is monitored by the Audit & Governance Committee. The RMS produces a summary report on the status of all risks which is included in the Secretary's Report at Board Meetings.

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

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

#### Staff Committee

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

#### Political Donations

The terms of reference for the Community Investment & Marketing Committee prohibit that committee from considering donations, grants or sponsorship for political or religious purposes, except in limited circumstances (such as fetes or events) for the purposes of tolerance and understanding. The Company has made no political donations during the 2015-16 financial year.

### Committees of the Board

All committees have been established by the Board with written terms of reference. The director appointed to each committee are set out in the Directors Report on page 31, with additional members set out below.

Audit & Governance Committee

The Audit & Governance Committee has been established to review (and where appropriate, recommend changes to) the Company’s processes, personnel and systems, and to assist, review and monitor the external Auditors performance.

The Committee has developed an annual workplan to ensure it considers a range of issues and to review at least one written policy each month. The Committee provides and seeks feedback from the external auditor regarding the conduct of the audit and the findings of the auditor, including any recommendation for changes. The Committee also examines the Internal Audit reports as described above.

The Board has considered the appropriateness of the Company Secretary and the Board Chairman being on this committee and taken into account the scale of the Company and the qualifications and experience of these officers. The Treasurer is also invited to attend these meetings without being a formal member of the Committee.

**Finance Committee**

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

**Community Investment & Marketing Committee**

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

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

Staff Committee

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

Events Committee

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

Youth Committee

The Board established the Youth Committee in 2014 and invited a range of local youth that have been exposed to the various programs run by the Company, such as the Junior Observer Program, Magic Moments program and the Boroondara Youth Foundation. This committee provides advice and guidance to the Board on issues that affect local youth and on ways to increase the banking effectiveness to the youth market.

The committee also involves the designated youth officer from each of our four branches. Community members include Victor Lau and Nikhil Selvaratnam.



# DIRECTORS’ REPORT

Your directors submit their report of the Company for the financial year ended 30 June 2016.

Directors

The names of the Company’s directors in office during the financial year, including their skills, experience and responsibilities of the directors at the date of this report are set out on page 24.

Review And Results Of Operations

The review of operations is set out on page 14.

Significant Changes In The State Of Affairs

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

Principal activities

The principal activities of the Company during the course of the financial period were in providing **Community Bank®** services under management rights to operate four franchised branches of Bendigo and Adelaide Bank Limited in Canterbury, Surrey Hills, Ashburton and Balwyn, Victoria.

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

Significant events after the balance date

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

Likely Developments

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

Environmental Regulations

The Company is not subject to any significant environmental regulation.

Dividends

A dividend of 5 cents per share was paid in the year ended 30 June 2016 (2015: 5 cents).

Share Options

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

Indemnification and insurance of Directors and Officers

The Company is required under its constitution to indemnify each Officer of the Company out of assets of the Company to the relevant extent against any liability incurred by that Officer arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith.

The Company has Directors and Officer’s Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer’s liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer’s duties.

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



Proceedings on behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the company or 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 any part of those proceedings. The company was not a party to any such proceedings during the year.

Company Secretary

Geofery Rowles was Company Secretary until 30 November 2015. Details of Mr Rowles’ experience is set out on page 25.

Leanne Russell was appointed Company Secretary on 25

	Directors Meetings		Audit & Governance Committee		Finance Committee		Community Investment & Marketing Committee		Youth Committee		Staff Committee		Events Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Juliann Ruth Byron	11	11	10	8	10	8	8	5	6	6	4	4	10	6
Robert Einar Stensholt	11	10	-	-	6	2	8	7	-	-	1	0	9	0
Damien Leo Hudson	11	10	-	-	-	-	3	2	-	-	-	-	10	10
Daizy Maan	4	4	4	4	-	-	-	-	2	2	-	-	-	-
Gordon Lennox McFarlane	11	10	-	4	10	10	-	-	-	-	4	4	-	-
Hans Diederick Menting	11	8	-	-	10	6	8	5	-	-	-	-	-	-
Geofery Leslie Rowles	5	5	4	4	5	5	-	-	3	2	-	-	-	-
Leigh Warren Smith	11	8	10	6	-	-	3	1	-	-	4	3	-	-
Andrew Graham Whittaker	1	1	-	-	1	1	1	1	-	-	-	-	-	-

Director Interests

The directors hold the following interests in the Company as at the 30 June 2016:

	Number of Shares Held		
	Directly	Indirectly	Total
Juliann Byron	2,200	7,600	9,800
Robert Stensholt	20,350	-	20,350
Damien Hudson	14,582	-	14,582
Daizy Maan	-	-	-
Gordon McFarlane	3,850	-	3,850
Hans Menting	50,552	-	50,552
Geofery Rowles	-	-	-
Leigh Smith	-	44,000	44,000
Andrew Whittaker	-	-	-

November 2015. She has extensive experience in providing high level support and governance advice to a variety of Boards in the public sector. Leanne holds a range of business and governance qualifications: Bachelor of Arts (Hons), Master of Public Policy and Management, Master of Diplomacy and Trade, Master of Business Administration and completed the requirements for the Graduate Diploma of Applied Corporate Governance in June 2016.

Directors Meetings

During the financial year, the Directors conducted the following number of meetings for the Board as a whole and each committee (listed together with the attendance record of each director). Attendances by each director during the year were as follows:

There was 1,100 movement in key management personnel shareholdings during the year. Shareholdings increased by 1,100 for Gordon Lennox McFarlane. Each share held has a paid up value of \$1 and is fully paid.

Non-audit services

The amount paid or payable to the Auditor (Richmond Sinnott & Delahunty) for non-audit services provided during the year ended 30 June 2016 was \$5,529 (2015: \$3,783).

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

- all non-audit services have been reviewed by the Audit & Governance Committee to ensure they do not impact on the impartiality and objectivity of the Auditor; and
- none of the services undermine the general principles relating to Auditor independence as set out in Professional Statement F1, 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.

Remuneration Report

a) Policies

Director Remuneration: The Company’s special position as a for-profit, community-based company places particular restrictions on how it should remunerate its directors. The Board has determined the following policy, which was approved by shareholders at the 2011 AGM.

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

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

Chairman	\$14,000
Treasurer	\$3,000
Chair of CIMCO	\$3,000
Secretary	\$3,000

CEO Remuneration: The CEO was engaged until November 2015 to undertake a range of executive duties. The remuneration of the CEO was determined by the Board and was exclusively a base salary without any bonus component. Notwithstanding this, the CEO is subject to annual performance reviews.

The Company did not engage any remuneration consultants in reviewing its remuneration structure for the 2016 financial year. From 1 July 2011, public companies have additional reporting obligations if they receive a ‘no’ vote of 25% or higher at their previous Annual General Meeting (AGM). At the 2015 AGM, the Company recorded a ‘no’ vote of 2.86% (2014: 3.37%) on its remuneration report.

b) Directors’ Remuneration

Director remuneration for the year ended 30 June 2016 is set out in the table below. For the purpose of Section 300A(1)(c), the amount of each prescribed detail is nil unless set out in the table on the left.

	Short Term Employee Benefits		Post Employment Benefits
	Cash Salary	Bonuses	Superannuation
Juliann Ruth Byron	\$21,000	\$0	\$1,995
Hans Diederick Menting	\$27,833	\$0	\$2,644
Robert Einar Stensholt	\$9,000	\$0	\$855
Gordon Lennox McFarlane	\$10,000	\$0	\$950
Damien Leo Hudson	\$7,000	\$0	\$665
Leigh Warren Smith	\$7,000	\$0	\$665
Geofery Leslie Rowles	\$4,167	\$0	\$396
Daizy Maan	\$2,333	\$0	\$222
Andrew Graham Whittaker	\$833	\$0	\$79

End of Remuneration Report.

Additional Information

In accordance with National Stock Exchange Listing Rule 6.9, the Company provides the following information as at 30 June 2016:

- (a) The principal activities of the Company are described above.
- (b) The Company does not have any subsidiary companies.
- (c) The interests of each director in the Company are set out above.
- (d) The Accounts presented with this report do not differ materially from any forecast previously issued by the Company.
- (e) There are no service contracts for directors that are proposed for election at the forthcoming AGM.
- (f) Dick Menting was employed on a service contract for the position of CEO. Details of this contract are described above in the Remuneration Report.
- (g) There are no arrangements under which a director has waived or agreed to waive any emoluments.
- (h) There are no arrangements under which a shareholder has waived or agreed to waive any dividends.

(i) Comparative Table of Financial Results

Profit & Loss	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)	2012 (\$)
Revenue from operating activities	3,709,155	3,540,644	3,413,402	3,414,032	3,087,658
Total Expenses	(3,220,995)	(3,142,280)	(3,013,408)	(3,125,139)	(2,688,579)
Profit from ordinary activities before income tax expense	488,160	398,364	399,994	288,893	399,079
Income tax expense	(146,449)	(102,097)	(122,556)	(88,311)	(126,073)
Not profit/loss after tax	341,711	296,267	277,438	200,582	273,006
Net profit/loss attributable to shareholders	341,711	296,267	277,438	200,582	273,006

Balance Sheet	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)	2012 (\$)
Current assets	1,782,330	1,769,936	1,580,940	1,412,668	1,324,968
Non-current assets	827,327	606,758	713,970	672,185	727,503
Total assets	2,609,657	2,376,694	2,294,910	2,084,853	2,052,471
Current liabilities	302,812	264,324	324,572	228,183	251,935
Non-current liabilities	6,999	-	-	9,535	-
Total liabilities	309,811	264,324	324,572	237,718	251,935
Shareholders' funds	2,299,846	2,112,370	1,970,338	1,847,135	1,800,536

Earnings per share (in cents)	11.08	9.60	8.99	6.50	8.85
Dividends per share (in cents)	5.00	5.00	5.00	5.00	5.00
Net assets value per share (in cents)	74.56	68.48	63.87	59.88	58.37
Price earnings ratio	3.23	5.63	5.67	8.76	5.00

- (j) The Treasurer’s Report is contained at page 12.
- (k) The Corporate Governance Report is contained at page 26.

(l) The following table shows the ten largest shareholders

Shareholder	Number of Shares
Adrienne Leslie Murray	110,000
Richard Everritt Thorne	102,300
Thomas Leigh Pty Ltd <The Waring Family Superannuation Fund A/C>	96,140
Kevin Francis McCormack	55,000
Hans Diederick Menting	49,452
Leigh Smith & Felicity Smith <EB Investment Fund A/C>	44,000
Richard Middleton <Marpjz Super Fund A/C>	44,000
Wayne Austen & Erica Austen	41,800
John Henry Anderson & Patricia Noreen Anderson	33,000
Northern Suburbs Secretarial Services Pty Ltd <JULETON A/C>	31,200

Auditor Independence Declaration

The Auditor Independence Declaration is set out on page 35.

Signed in accordance with a resolution of the Directors in Melbourne on 31 August 2016.



Juliann Ruth Byron  
Chairman



Chartered Accountants

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Auditor’s Independence Declaration under section 307C of the Corporations Act 2001 to the Directors of Canterbury Surrey Hills Community Finance Limited.

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there has been no contraventions of:

- (i) the Auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY  
Chartered Accountants



Kathie Teasdale  
Partner  
Bendigo  
Dated at Bendigo, 9 September 2016





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## INDEPENDENT AUDITOR'S OPINION

To the directors of Canterbury Surrey Hills Community Finance Limited

### Report on the Annual Financial Report

We have audited the accompanying financial report of Canterbury Surrey Hills Community Finance Limited, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state that the financial statements comply with *International Financial Reporting Standards*.

#### Auditor's Responsibility

Our responsibility is to express a conclusion 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 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 review, we have complied with the independence requirements of the *Corporations Act 2001*.

## Auditor's Opinion

In our opinion:

- a) the financial report of Canterbury Surrey Hills Community Finance Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

## Report on the Remuneration Report

We have audited the remuneration report included in pages 3 to 4 of the director's report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s.300A of the *Corporations Act 2001*. Our responsibility is based on our audit conducted in accordance with Australian Auditing Standards.

## Auditor's Opinion

In our opinion the remuneration report for Canterbury Surrey Hills Community Finance Limited for the year ended 30 June 2016 complies with s.300A of the *Corporations Act 2001*.

Richmond Sinnott & Delahunty  
Chartered Accountants

Kathie Teasdale  
Partner

Dated: 9 September 2016

# FINANCIAL STATEMENTS

Income Statement

	Note	2016 (\$)	2015 (\$)
Revenue	2	3,709,155	3,540,644
Expenses			
Employee benefits expense	3	(1,675,333)	(1,666,196)
Depreciation and amortisation	3	(134,517)	(121,924)
Rental expense		(359,136)	(370,235)
Bad and doubtful debts expense	3	(572)	(822)
Administration and other expenses		(585,443)	(636,788)
Operating profit before charitable donations and sponsorships		954,154	744,679
Charitable donations and sponsorships		(465,994)	(346,315)
Profit before income tax		488,160	398,364
Income tax expense	4	146,449	102,097
Profit for the year		341,711	296,267
Other comprehensive income		-	-
Total comprehensive income for the year		341,711	296,267
Profit attributable to members of the company		341,711	296,267
Total comprehensive income attributable to members of the company		341,711	296,267
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share		11.08	9.60

The accompanying notes form part of these financial statements.

Balance Sheet

	Note	2016 (\$)	2015 (\$)
Assets			
Current assets			
Cash and cash equivalents	5	388,302	345,126
Trade and other receivables	6	356,927	322,538
Investments and other financial assets	7	951,000	850,000
Other assets	8	86,101	231,059
Total current assets		1,782,330	898,723
Non-current assets			
Property, plant and equipment	9	409,337	444,939
Intangible assets	10	85,327	161,819
Deferred tax assets	4	21,413	21,213
Investments and other financial assets	7	300,000	-
Other assets	8	11,250	-
Total non-current assets		827,327	627,971
Total assets		2,609,657	2,376,694
Liabilities			
Current liabilities			
Trade and other payables	11	187,889	156,923
Current tax liability	4	49,836	36,693
Provisions	12	65,087	70,708
Total current liabilities		302,812	264,324
Non-current liabilities			
Provisions	12	6,999	-
Total non-current liabilities		6,999	-
Total liabilities		309,811	264,324
Net assets		2,299,846	2,112,370
Equity			
Issued capital	13	1,536,989	1,536,989
Retained earnings	14	762,857	575,381
Total equity		2,299,846	2,112,370

The accompanying notes form part of these financial statements.



Changes in Equity

	Note	Issued Capital (\$)	Retained Earnings (\$)	Total Equiy (\$)
Balance at 1 July 2014		1,536,989	433,349	1,970,338
Profit for the year		-	296,267	296,267
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	296,267	296,267
Transactions with owners, in their capacity as owners				
Dividends paid or provided	23	-	(154,235)	(154,235)
Balance at 30 June 2015		1,536,989	575,381	2,112,370
Balance at 1 July 2015		1,536,989	575,381	2,112,370
Profit for the year		-	341,711	341,711
Other comprehensive income for the year				
Total comprehensive income for the year		-	341,711	341,711
Transactions with owners, in their capacity as owners			0	0
Dividends paid or provided	23	-	(154,235)	(154,235)
Balance at 30 June 2016		1,536,989	762,857	2,299,846

The accompanying notes form part of these financial statements.

Cash Flow

	Note	2016 (\$)	2015 (\$)
Cash flows from operating activities			
Receipts from customers		4,054,954	3,957,906
Payments to suppliers and employees		(3,341,551)	(3,388,171)
Interest received		40,937	30,492
Income tax paid		(133,506)	(171,327)
Net cash provided by operating activities	15b	620,834	428,900
Cash flows from investing activities			
Purchase of property, plant and equipment		(22,423)	(1,811)
Purchase of investments and other financial assets		(401,000)	(150,000)
Purchase of intangible assets		-	(12,900)
Net cash flows used in investing activities		(423,423)	(164,711)
Cash flows from financing activities			
Dividends paid		(154,235)	(154,235)
Net cash provided used in financing activities		(154,235)	(154,235)
Net increase in cash held		43,176	109,954
Cash and cash equivalents at beginning of financial year		345,126	235,172
Cash and cash equivalents at end of financial year	15a	388,302	345,126

The accompanying notes form part of these financial statements.

Notes

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

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

The financial statements were authorised for issue by the Directors on 31 August 2016.

1. Summary of significant accounting policies

(a) Basis of preparation

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

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs.

Franchise Relationship

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

All transactions with customers conducted through the Community Bank® branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

(b) Income tax

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

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

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

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

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

(c) Fair value of assets and liabilities

The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant’s ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

(d) Property, plant and equipment

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

Plant and equipment

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

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

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

Depreciation

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

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

Class of asset	Rate	Method
Leasehold improvements	3%	SL
Plant and equipment	10-20%	SL

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) 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 recognising 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.

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

(f) Impairment of assets

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



**(g) Goods and services tax (GST)**

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

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

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

**(h) Employee benefits**

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

**(i) Intangible assets**

Establishment costs and franchise fees have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation in the Statement of Profit or Loss and Other Comprehensive Income.

**(j) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

**(k) Revenue and other income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

Interest and fee revenue is recognised when earned.

Rental income is recognised on a straight line basis over the lease term.

All revenue is stated net of the amount of goods and services tax (GST).

**(l) Investments and other financial assets**

**(i) Classification**

The company classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables, and
- held to maturity investments.

Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Financial assets at fair value through profit or loss

Financial assets held at fair value through profit or loss. The company has not designated any financial assets at fair value through profit or loss.

Loans and Receivables

Receivables are non-derivative financial assets with fixed

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

Held to maturity investments

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

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

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

**(ii) Measurement**

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

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

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for financial assets at fair value through profit or loss – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

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

**(iii) Impairment**

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

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

**(iv) Derecognition**

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

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

#### (m) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets. Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

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

#### (n) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

#### (o) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

#### (p) New and amended accounting policies adopted by the company

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

#### (q) Comparative figures

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

#### (r) Earnings per share

##### Basic earnings per share

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

#### (s) New accounting standards for application in future periods

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

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

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

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

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

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

so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

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

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

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

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

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

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

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

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

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

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

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

In May 2015, the AASB issued ED 260 Income of Not-for Profit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.

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

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

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

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

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

#### (t) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting



estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

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

Fair value assessment of non-current physical assets

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

Employee benefits provision

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching

unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

Income tax

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

Impairment

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

2. Revenue

	2016 (\$)	2015 (\$)
<b>Revenue</b>	<b>3,668,218</b>	<b>3,510,152</b>
- services commissions	3,668,218	3,510,152
<b>Other revenue</b>	<b>40,937</b>	<b>30,492</b>
- interest received	40,937	30,492
<b>Total revenue</b>	<b>3,709,155</b>	<b>3,540,644</b>

3. Expenses

	2016 (\$)	2015 (\$)
Profit before income tax includes the following specific expenses:		
<b>Employee benefits expense</b>		
- wages and salaries	1,410,626	1,380,791
- superannuation costs	128,935	134,872
- other costs	135,772	150,533
	<b>1,675,333</b>	<b>1,666,196</b>
<b>Depreciation and amortisation</b>		
<u>Depreciation</u>		
- plant and equipment	57,535	58,333
- leasehold improvements	490	-
	<b>58,025</b>	<b>58,333</b>
<u>Amortisation</u>		
- franchise fees	38,714	63,591
- establishment costs	37,778	-
	<b>76,492</b>	<b>63,591</b>
<b>Total depreciation and amortisation</b>	<b>134,517</b>	<b>121,924</b>
Bad and doubtful debts expenses	572	822
Auditor’s remuneration		
<u>Remuneration of the Auditor for:</u>		
- Audit or review of the financial report	4,902	7,630
- Share registry services	5,529	3,783
	<b>10,431</b>	<b>11,413</b>

4. Income tax

	2016 (\$)	2015 (\$)
<b>a. The components of tax expense comprise:</b>		
Current tax expense	146,649	123,310
Deferred tax expense	(200)	(21,213)
	<b>146,449</b>	<b>102,097</b>
<b>b. Prima facie tax payable</b>		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 30.0% (2015: 30%)	146,449	119,509
Add tax effect of:		
- Non-deductible expenses	-	(17,412)
<b>Income tax attributable to the entity</b>	<b>146,449</b>	<b>102,097</b>
The applicable weighted average effective tax rate is	30.00%	25.63%
<b>c. Current tax liability</b>		
Current tax relates to the following:		
<u>Current tax liabilities</u>		
Opening balance	36,693	84,710
Income tax paid	(133,506)	(171,327)
Current tax	146,649	123,310
	<b>49,836</b>	<b>36,693</b>
<b>d. Deferred tax asset</b>		
Deferred tax relates to the following:		
<b>Deferred tax assets balance comprises:</b>		
Accruals	3,660	-
Employee provisions	21,626	21,213
	<b>25,286</b>	<b>21,213</b>
<b>Deferred tax liabilities balance comprises:</b>		
Accrued income	3,873	-
	3,873	-
Net deferred tax asset	<b>21,413</b>	<b>21,213</b>
<b>e. Deferred income tax (revenue)/expense included in income tax expense comprises:</b>		
Decrease / (increase) in deferred tax assets	(4,073)	-
(Decrease) / increase in deferred tax liabilities	3,873	21,213
	<b>(200)</b>	<b>21,213</b>

5. Cash and cash equivalents

	2016 (\$)	2015 (\$)
Cash at bank and on hand	388,302	345,126
	<b>388,302</b>	<b>345,126</b>

6. Trade and other receivables

	2016 (\$)	2015 (\$)
<b>Current</b>		
Trade receivables	356,927	322,538
	<b>356,927</b>	<b>322,538</b>

Credit risk

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

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

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

	Past due but not impaired					Not past due (\$)
	Gross Amount (\$)	Past due and impaired (\$)	< 30 days (\$)	31-60 days (\$)	> 60 days (\$)	
<b>2016</b>						
Trade receivables	356,927	-	-	-	-	356,927
<b>Total</b>	<b>356,927</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>356,927</b>
<b>2015</b>						
Trade receivables	322,538					322,538
<b>Total</b>	<b>322,538</b>					<b>322,538</b>



7. Investments and other financial assets

	2016 (\$)	2015 (\$)
<b>Current</b>		
Held to maturity financial assets	951,000	850,000
Term deposits	951,000	850,000
<b>Non Current</b>		
Held to maturity financial assets	300,000	-
Term deposits	300,000	-
<b>Total investments and other financial assets</b>	<b>1,251,000</b>	<b>850,000</b>

8. Other assets

	2016 (\$)	2015 (\$)
<b>Current</b>		
Prepayments	16,813	165,610
Security bonds	56,379	60,728
Acerued Interest	12,909	4,721
	<b>86,101</b>	<b>231,059</b>
<b>Non Current</b>		
Security bond	11,250	-
	<b>11,250</b>	<b>0</b>
<b>Total other assets</b>	<b>97,351</b>	<b>231,059</b>

9. Property, plant and equipment

	2016 (\$)	2015 (\$)
<u>Leasehold improvements</u>		
At cost	26,709	8,762
Less accumulated depreciation	(841)	(351)
	25,868	8,411
<u>Plant and equipment</u>		
At cost	1,130,620	1,126,144
Less accumulated depreciation	(747,151)	(689,616)
	383,469	436,528
<b>Total property, plant and equipment</b>	<b>409,337</b>	<b>444,939</b>
<b>Movements in carrying amounts</b>		
<u>Leasehold improvements</u>		
Balance at the beginning of the reporting period	8,411	8,630
Additions	17,948	-
Depreciation expense	(490)	(219)
Balance at the end of the reporting period	25,869	8,411
<u>Plant and equipment</u>		
Balance at the beginning of the reporting period	436,528	492,831
Additions	4,475	1,811
Depreciation expense	(57,535)	(58,114)
Balance at the end of the reporting period	383,468	436,528
<b>Total property, plant and equipment</b>		
Balance at the beginning of the reporting period	444,939	501,461
Additions	22,423	1,811
Depreciation expense	(58,025)	(58,333)
<b>Balance at the end of the reporting period</b>	<b>409,337</b>	<b>444,939</b>

10. Intangible assets

	2016 (\$)	2015 (\$)
Franchise fee		
At cost	418,382	418,382
Less accumulated amortisation	(342,825)	(304,111)
	75,557	114,271
Preliminary expenses	352,822	352,822
At cost	(343,052)	(305,274)
Less accumulated amortisation	9,770	47,548
Total intangible assets	85,327	161,819
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	114,271	152,985
Amortisation expense	(38,714)	(38,714)
Balance at the end of the reporting period	75,557	114,271
Preliminary expenses		
Balance at the beginning of the reporting period	47,548	59,524
Additions	-	12,900
Amortisation expense	(37,778)	(24,876)
Balance at the end of the reporting period	9,770	47,548
Total intangible assets		
Balance at the beginning of the reporting period	161,819	212,509
Additions	-	12,900
Amortisation expense	(76,492)	(63,590)
Balance at the end of the reporting period	85,327	161,819

11. Trade and other payables

	2016 (\$)	2015 (\$)
Current		
Unsecured liabilities:		
Trade creditors	74,489	68,571
Other creditors and accruals	113,400	88,352
	187,889	156,923

The average credit period on trade and other payables is one month.

12. Provisions

	2016 (\$)	2015 (\$)
Current		
Employee benefits	65,087	70,708
Non-current		
Employee benefits	6,999	-
Total provisions	72,086	70,708

13. Share capital

	2016 (\$)	2015 (\$)
1,092,062 Ordinary shares fully paid to \$1 each	1,092,062	1,092,062
Return of capital of 10 cents per share	(196,571)	(196,571)
1,092,062 Bonus shares issued for no consideration	-	-
406,748 Ordinary shares fully paid to \$1 each	406,748	406,748
259,085 Bonus shares issued for no consideration	-	-
234,750 Ordinary shares fully paid to \$1 each	234,750	234,750
	1,536,989	1,536,989
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	3,084,707	3,084,707
Shares issued during the year	-	-
At the end of the reporting period	3,084,707	3,084,707

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

Capital management

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

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

- (i) the Distribution Limit is the greater of:
- (a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in 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; and
- (ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.



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

The company has established a mechanism for a limited share buy-back via the NSX.

14. Retained earnings

	2016 (\$)	2015 (\$)
Balance at the beginning of the reporting period	575,381	433,349
Profit after income tax	341,711	296,267
Dividends paid	(154,235)	(154,235)
Balance at the end of the reporting period	762,857	575,381

15. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:

	2016 (\$)	2015 (\$)
Cash and cash equivalents (Note 5)	388,302	345,126
As per the Statement of Cash Flow	388,302	345,126

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

	2016 (\$)	2015 (\$)
Profit after income tax	341,711	296,267
Non-cash flows in profit		
- Depreciation	58,025	58,333
- Amortisation	76,492	63,590
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(34,389)	92,171
- (increase) / decrease in prepayments and other assets	133,708	(48,018)
- (Increase) / decrease in deferred tax asset	(200)	(21,213)
- Increase / (decrease) in trade and other payables	30,966	(20,550)
- Increase / (decrease) in current tax liability	13,143	-
- Increase / (decrease) in provisions	1,378	8,320
Net cash flows from operating activities	620,834	428,900

16. Earnings per share

	2016 (\$)	2015 (\$)
Basic earnings per share (cents)	11.08	9.60
Earnings used in calculating basic and diluted earnings per share	341,711	296,267
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share.	3,084,707	3,084,707

17. Key management personnel and related party disclosures

(a) Key management personnel

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

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

	2016 (\$)	2015 (\$)
Short-term employee benefits	106,054	122,000
Post-employment benefits	10,175	11,590
Total key management personnel compensation	116,229	133,590

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

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

Share-based payments

These amounts represent the expense related to the participation of key management personnel in equity-settled benefits schemes as measured by the fair value of the options, rights and shares granted on grant date.

(b) Other related parties

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

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

(c) Key management personnel shareholdings

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

	2016 (\$)	2015 (\$)
Juliann Ruth Byron	9,800	9,800
Damien Hudson	14,582	14,582
Daizy Maan	-	-
Gordon Lennox McFarlane	3,850	2,750
Hans Diederick Menting	50,552	50,552
Leigh Warren Smith	44,000	44,000
Robert Einar Stensholt	20,350	20,350
Geofery Rowles	0	7,860
Andrew Whittaker	-	0
	143,134	149,894

There was 1,100 movement in key management personnel shareholdings during the year. Shareholdings increased by 1,100 for Gordon Lennox McFarlane. Each share held has a paid up value of \$1 and is fully paid. Geofery Rowles retired on 30 November 2015.

(d) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

18. Events after the reporting period

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

19. Contingent liabilities and contingent assets

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

20. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being the City of Boroondara, Victoria. The company has franchise agreements in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2015: 100%).

21. Commitments

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.

	2016 (\$)	2015 (\$)
Payable:		
- no later than 12 months	294,577	369,105
- between 12 months and five years	258,483	553,060
- greater than five years	-	-
Minimum lease payments	553,060	922,165

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

22. Company details

The registered office is:

143 Maling Road , Canterbury, Victoria 3126

The principle places of business are:

Canterbury Community Bank®  
143 Maling Road, Canterbury, Victoria 3126

Ashburton Community Bank®  
241 High Street, Ashburton, Victoria 3147

Surrey Hills Community Bank®  
107 Unon Road, Surrey Hills, Victoria 3127

Balwyn Community Bank®  
411 Whitehorse Road, Balwyn, Victoria 3103

23. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year	2016 (\$)	2015 (\$)
Final fully franked ordinary dividend of 5 cents per share (2015: 5 cents) franked at the tax rate of 30% (2015: 30%).	154,235	154,235



24. Financial risk management

Financial risk management policies

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

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

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

	Note	2016 (\$)	2015 (\$)
<b>Financial assets</b>			
Cash and cash equivalents	5	388,302	345,126
Trade and other receivables	6	356,927	322,538
Investments and Financial assets	7	1,251,000	850,000
<b>Total financial assets</b>		1,996,229	1,517,664
<b>Financial liabilities</b>			
Trade and other payables	11	187,889	156,923
<b>Total financial liabilities</b>		187,889	156,923

(a) Credit risk

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

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

Credit risk exposures

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

The company's exposure to credit risk is limited to Australia by geographic area.

None of the assets of the company are past due (2015: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

(b) Liquidity risk

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

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

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

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed.

Financial liability and financial asset maturity analysis:

	Weighted average interest rate	Total (\$)	Within 1 year (\$)	1 to 5 years (\$)	Over 5 Years (\$)
<b>30 June 2016</b>					
<b>Financial assets</b>					
Cash and cash equivalents	0.50%	388,302	388,302	-	-
Trade and other receivables	0.00%	356,927	356,927	-	-
Investments and Financial assets	2.95%	1,251,000	951,000	300,000	-
<b>Total anticipated inflows</b>		1,996,229	1,696,229	300,000	-
<b>Financial liabilities</b>					
Trade and other payables	0.00%	187,889	187,889		
<b>Total expected outflows</b>		187,889	187,889		
<b>Net inflow / (outflow) on financial instruments</b>					
		1,808,340	1,508,340	300,000	-

30 June 2015

<b>Financial assets</b>					
Cash and cash equivalents	0.50%	345,126	345,126	-	-
Trade and other receivables	0%	322,538	322,538	-	-
Investments and Financial assets	3.04%	850,000	850,000	-	-
<b>Total anticipated inflows</b>		1,517,664	1,517,664	-	-
<b>Financial liabilities</b>					
Trade and other payables	0%	156,923	156,923	-	-
<b>Total expected outflows</b>		156,923	156,923	-	-
<b>Net inflow / (outflow) on financial instruments</b>					
		1,360,741	1,360,741		

(c) Market risk

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

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

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

Sensitivity analysis

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

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

	Profit (\$)	Equity (\$)
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	16,393	16,393
	16,393	16,393
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	11,951	11,951
	11,951	11,951

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

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Director’s Declaration

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

1. The financial statements and notes, as set out on pages 12 to 36 are in accordance with the *Corporations Act 2001* and:

- (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
- (ii) give a true and fair view of the company’s financial position as at 30 June 2016 and of the performance for the year ended on that date;

2. In the Directors’ opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

3. The audited remuneration disclosures set out in the remuneration report section of the Directors’ report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This resolution is made in accordance with a resolution of the Board of Directors pursuant to section 295(5)(a) of the *Corporations Act 2001*.



Juliann Ruth Byron  
Chairman

Signed at Balwyn on 31 August 2016.

# GLOSSARY

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

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

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

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

**Project Horizon** means the review being undertaken by Bendigo Bank and the **Community Bank®** network to ensure the **Community Bank®** system remains successful.

**Restoring the Balance** means a program introduced by Bendigo Bank to adjust the revenue received by **Community Bank®** companies after the Franchise Agreement had commenced.

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







Above: Samarinda Lodge resident and staff accepting the Community Bank® cheque.



Below: The Community Bank® is a proud supporter of The Edge raffle.



Above: Kris Kindl in Maling Road.



Above: Victorian Dog Obedience Dog Club.

[www.supportingourcommunity.com.au](http://www.supportingourcommunity.com.au)

**Canterbury  
Community Bank®  
Branch**

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Canterbury VIC 3126  
Tel: (03) 9836 9466

**Ashburton  
Community Bank®  
Branch**

241 High Street  
Ashburton VIC 3147  
Tel: (03) 9885 2666

**Surrey Hills  
Community Bank®  
Branch**

107 Union Road  
Surrey Hills VIC 3127  
Tel: (03) 9890 7188

**Balwyn  
Community  
Bank® Branch**

411 Whitehorse Road  
Balwyn VIC 3103  
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**Franchisee:**

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