Annual Report 2017

Canungra & District Community Financial Group Limited

ABN 14 608 466 628

Canungra & District **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2017

What a first year it has been!

Welcome to the second Annual Report for the Canungra & District Community Financial Group Limited (CDCFGL) and the close of the first financial year of trading as the Canungra & District **Community Bank**® Branch. I would personally like to invite all shareholders to the Annual General Meeting (AGM) to be held on Monday 27 November 2017 from 6.00pm at The Outpost Café, Christie Street, Canungra. This will be a night to celebrate the successful first year of trading for our **Community Bank**® company and a chance to look forward to the future.

While the way people bank has been changing over time, we pride ourselves in the personal touch that we deliver in your local branch. As your Chairman, I am proud of the contribution our Board and staff make every day to deliver these services, grants and sponsorship opportunities to our community.

Vanessa Skinner, our Branch Manager, and her wonderful and dedicated staff Natasha, Rachel and Candice have gone above and beyond in their roles in the branch and have excelled in their training and development. They always perform their duties in a most professional and efficient manner and this has been the backbone of our growth for the past year. The branch was recently the recipient of the Brisbane Region's 'Loan Growth Award' for 2017 with an amazing $10.5 million in lending growth. Congratulations to Vanessa and her team.

I would like to thank my fellow Directors, they are an amazing group of community-minded people who have always given their time and support to achieve the goals and objectives necessary to make our company the success it has become. With almost all of our Directors being a part of the project from inception over five years ago, it takes dedication and time to be part of a successful Board and I thank them for their continued enthusiasm for the **Community Bank**® company.

Our partners, Bendigo and Adelaide Bank, and their staff have always been very supportive and continued to encourage us, our Regional Manager Mark Lally and more recently Stephen Simpson have been invaluable at times with their guidance in our branch operations. Peter Dirkx, our Regional Community Manager, has attended the majority of our Board meetings and continues to provide guidance, training and support to the Board. Without your continued support none of this would be possible.

With the current economic climate being as it is we have bucked the trend and managed to achieve substantial growth in both loan and deposit activity. Our branch has surpassed the forecasts originally provided and the growth of our local **Community Bank**® branch is only possible from the support of the shareholders, customers and the community.

Our total business portfolio as at 30 June 2017 was just over $34 million, that's over double the amount that we opened with at the end of October 2016, and we now have 3,663 accounts from 280 when we opened our doors last year. This is a great result and it shows that we are now making a difference by providing banking services to our community. Our account growth was spurred by the introduction of School Banking of which the Canungra State Primary School has supported with a large number of students participating in our School Banking Program.

This past financial year we provided a number of grants and sponsorship to our community including, but definitely not limited to, the following: the Canungra Owls for a line marking machine, Canungra C&K Kindy for a yoga/meditation area, Canungra Village Garden Project for a storage shed, Canungra Information Centre for computer equipment to showcase the Scenic Rim, Beechmont Tennis Club for wind break/screening for the tennis courts, Canungra Show Society to sponsor the Tractor Pull event, Canungra RSL for television, Canungra State School P&C for canteen equipment, just to name a few.

I personally would like to thank Ken Hill and Shane Stevenson for their years of commitment to the **Community Bank**® project by increasing community awareness, being a part of the capital raise program and the infant year of our **Community Bank**® company. They will be stepping down from the Board at the AGM as foundation members of the Canungra & District Community Financial Group Limited they played an integral role in the formation of our company and **Community Bank**® Branch. Finally, thank you to the other members of our Board for their continued drive that makes our **Community Bank**® company a leader within the **Community Bank**® network.

To conclude, the 2016/17 financial year, our first trading year, the CDCFGL continues to move in the right direction for the future and forge ahead in terms of beating projections and getting closer to returning dividends to our shareholders.

In the coming year I urge you to continue to support our local **Community Bank**® branch and spread the word of how wonderful it is to bank with the bank that gives back to our local community.

Janine Rockliff
Chairman

Manager's report

For year ending 30 June 2017

It is with pleasure that I submit the Branch Manager's report for Canungra & District **Community Bank**® Branch.

Since opening on 24 October 2016, Canungra & District **Community Bank**® Branch has enjoyed significant growth. Total business growth was just under $20 million.

This is a very pleasing outcome for all involved given the competitive industry and the economic conditions we operate within. The branch ended the financial year with funds under management totalling $34.29 million. I believe that the growth we achieved is a testament to the **Community Bank**® model and the unique point of difference we offer with what we are able to contribute back to our local communities.

There were a couple of significant achievements to mention. Canungra & District **Community Bank**® Branch received 'Branch of the Month Award' in January and May, and the award for achieving the highest lending growth in Brisbane Region. Our Lending growth for the end of the 2016/17 financial year was $10.5 million.

Whilst we are delighted with our business growth, we know that we will need to continue to provide the superior level of customer service that we take great pride in and offer competitive products, interest rates and banking options to our customers, which we are able to do with the support and backing of Bendigo and Adelaide Bank.

I would also like to personally thank our fantastic branch staff, Natasha, Candice, and Rachel for the support and service they provide to our customers. The personal service we provide to our customers is something we are very proud and passionate about. They form a fantastic team and I also thank them for the support and assistance they provide to me.

Canungra & District **Community Bank**® Branch has continued to support a number of worthy organisations, sporting clubs and events in the local area this financial year including:

- Canungra Owls
- Canungra C&K Kindy
- Canungra Village Garden Project
- Canungra RSL
- Canungra Information Centre
- Beechmont Tennis Club
- Canungra State School P&C
- Canungra Show Society

In closing, would like to thank the Board, and our customers for their ongoing support and commitment to making Canungra & District **Community Bank**® Branch a success.

Vanessa Skinner
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2017

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

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

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

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

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

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

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

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

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

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

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

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

Robert Musgrove
Executive Engagement Innovation

Directors' report

For the financial year ended 30 June 2017

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

Directors

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

Ms Janine Rockliff
Ms Leigh Bartlett
Dr Peter Clark
Mr David Baker
Mr Kenneth Hill
Ms Fiona Davidson
Mr Andrew Covino
Mr Shane Stevenson
Mr Terry Watkins
Mr Leslie Fortescue

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities

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

Review of operations

The loss after income tax credit for the company for the financial year amounted to $112,031 (2016: $6,342).

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to the end of the reporting period

No matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

Likely developments and expected results of operations

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report ad the inclusion of such information is likely to result in unreasonable prejudice to the company.

Environmental regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Options

No options over issued shares or interest in the company were granted during or since the end of the financial year, and there were no options outstanding as at the date of this report.

Indemnification of Officers

Except for the premiums detailed below, the company has not otherwise, during or since the end of the financial year, in respect of any person who is or has been an Officer or Auditor of the company:

- indemnified or made any relevent agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against liability for the costs or expenses to defend legal procedings.

During the year, the company paid premiums to insure Directors and Officers against liabilities for costs and expenses incurred by them in defending any legal procedings arising out of their conduct while acting in the capacity of an Officer of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of premium to cover all Directors and Officers, including public liability cover was $4,710.

Proceedings on behalf of the company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings 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.

Information on Directors

Ms Janine Rockliff

Chairperson

Occupation: Janine holds a Bachelor of Business (Property Studies) and is a Certified Practising Valuer registered in Queensland, an Associate of the Australian Property Institute and has worked as a property valuer in both the public and private sectors since 2012.

Janine was the Chairperson of the Canungra & District **Community Bank**® Project Steering Committee and is an active member in the Chamber of Commerce and a member of the Sports & Recreation Association.

Special responsibilities: HR/Staff Committee

Interest in shares: 2,501

Ms Leigh Bartlett

Deputy Chairperson

Occupation: Leigh is currently employed as a Human Resources/ Payroll professional business consultant with extensive experience with Award Interpretation, Change Management, Performance Management, Stakeholder Engagement, Organisational Management and Governance.

Leigh is an active member of the community and is currently Group Leader Canungra Scout Group, President of the Tamborine Mountain College P&F Association, and Secretary of the Canungra Masters Swimming Club.

Special responsibilities: HR/Staff Committee (Chair)

Interest in shares: 251

Information on Directors (continued)

Dr Peter Clark

Secretary

Occupation: Peter holds a Bachelor of Science (University of Queensland), Ph.D. (Indiana University) and M.B.A. (University of Queensland). Peter originally trained and worked as a research scientist at various universities in the USA and Australia. Peter has experience in researching and teaching business principles at University level, working as a business consultant, Director of a number of start-up companies.

Peter has also been employed as the Executive Director of an ASX listed public company for 10 years responsible for business planning, IP management, capital raising, finance, government grant applications, prospectuses, negotiations, product development etc.

More recently, Peter was the Manager Research Services at Central Queensland University. Peter is now retired and is the President of the Beechmont Tennis Club and an active member of the Beechmont Area Progress Association and the Beechmont Recreation Arts and Sports Association.

Special responsibilities: Governance Audit & Finance Committee (Chair)

Interest in shares: 1,250

Mr David Baker

Director / Treasurer

Occupation: David holds a Bachelor of Engineering (Civil) degree, and a Bachelor of Business (Accounting) degree. David is currently self-employed as an accountant with over 30 years' experience in this field.

David has been a long time resident of Wonglepong where he and his partner are raising 4 children who all have attended Canungra State School.

David is the former Treasurer & Registrar of Canungra Owls Soccer Club Inc.

Special responsibilities: Governance Audit & Finance Committee

Interest in shares: 501

Mr Kenneth Hill

Director

Occupation: Ken is a qualified carpenter, Level 2 coach/instructor and coach driver.

Ken is the current President of the Qld Hanggliding Association and Vice President of the Canungra Hanggliding Club. Ken and his family has lived in Canungra since 1990 and has good community involvement with a number of the sporting clubs within Canungra whilst raising his 2 teenage children.

Special responsibilities: Marketing, Community Investments & Business Development Committee

Interest in shares: 3,751

Ms Fiona Davidson

Director

Occupation: Fiona currently owns a number of businesses based on the Gold Coast specialising in screen printing, trophy and embroidery services.

Previously Fiona owned a number of successful start-up businesses and is experienced with marketing and promotion, branding, and advertising. A relatively new member of the Canungra community, Fiona has strong ties to a number of community groups and organisations within the area through her business.

Special responsibilities: Marketing, Community Investments & Business Development Committee (Chair)

Interest in shares: 4,001

Information on Directors (continued)

Mr Andrew Covino

Director

Occupation: Andrew is an established businessman operating multiple businesses in South East Qld and current owner of a local café since 2006. During this time, he sponsored and supported many events and local organisations. Andrew is a foundation member of the Canungra Chamber of Commerce as well as the Canungra & District **Community Bank**® Project Steering Committee.

Andrew is also member of a local junior football club where he coaches an under 8's Football side.

Special responsibilities: Marketing, Community Investments & Business Development Committee

Interest in shares: 1

Mr Shane Stevenson

Director

Occupation: Shane has a diverse background and currently owns and operates the Newsagency within Canungra.

Shane has previously worked in multi-national company as Senior Manager for 14 years; retired Army Officer (14 years); former School Teacher (3 years) and is now a part owner of the Newsagency within Canungra (3.5 years).

Shane has a broad range of skills including small business management; good verbal and written communication skills; negotiating skills; fluent in three languages; leadership skills.

Over recent years, Shane has been involved in a number of community groups including: Chairperson Canungra Bowls Club; former President Canungra Chamber of Commerce; former Treasurer Canungra Area Golf Club; Treasurer of the Canungra Chamber of Commerce.

Special responsibilities: Marketing, Community Investments & Business Development Committee

Interest in shares: 501

Mr Terry Watkins

Director

Occupation: Terry was formerly a Telstra/Telecom linesman, primary producer, and member of the armed forces.

Terry currently owns and operates a service station within the catchment area of the Canungra district.

Terry is involved in a number of community groups and is currently 1st Officer Tamborine Rural Fire Brigade.

Special responsibilities: Governance Audit & Finance Committee

Interest in shares: 5,001

Mr Leslie "John" Fortescue

Director

Occupation: John is an electronics technician and current owner of a local Bed and Breakfast.

John and his wife have built the business from the ground up and are now actively involved in a number of local community groups and events throughout the year.

John has been a resident in the area since 2000 and is currently a member of the Canungra Chamber of Commerce.

Special responsibilities: Governance Audit & Finance Committee

Interest in shares: 2,001

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

Company Secretary

The company secretary is Dr Peter Clark. Peter was appointed to the position of secretary on 28 September 2015.

Dividends

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

Directors' report (continued)

Directors' meetings

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

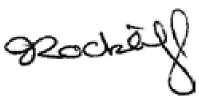
Director	Board meetings attended	
	Eligible	Attended
Ms Janine Rockliff	12	12
Ms Leigh Bartlett	12	8
Dr Peter Clark	12	12
Mr David Baker	12	12
Mr Kenneth Hill	12	11
Ms Fiona Davidson	12	12
Mr Andrew Covino	12	9
Mr Shane Stevenson	12	10
Mr Terry Watkins	12	12
Mr Leslie Fortescue	12	11

Auditors' Independence Declaration

A copy of the Auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

No Officer of the company is or has been a partner/Director of any Auditor of the company.

Signed in accordance with a resolution of the Board of Directors :



Janine Rockliff
Chairperson

Dated: 8 September 2017

Auditor's independence declaration

accountants + auditors

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AUDITOR'S INDEPENDENCE DECLARATION UNDER S307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF CANUNGRA & DISTRICT COMMUNITY FINANCIAL GROUP LIMITED

As lead auditor for the audit of Canungra & District Community Financial Group Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

M.G.I

MGI Audit Pty Ltd

Stephen Greene
Director

Brisbane

8 September 2017

Financial statements

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

	Notes	2017 $	2016 $
Revenue from ordinary activities	4	152,744	-
Other income	4	11,290	-
Employee benefits expense		(177,802)	-
Rent and occupancy expense		(20,805)	-
Community grants		(11,522)	-
Depreciation		(16,916)	-
Amortisation		(15,069)	-
Insurance expense		(9,854)	-
Printing, postage and stationery		(10,968)	-
Administration expenses		(15,333)	(1,092)
External consultants		(9,085)	(5,250)
Legal fees		(3,328)	-
Marketing and advertising		(4,603)	-
ATM expenses		(3,801)	-
Security		(4,410)	-
Other expenses	5	(23,374)	-
Loss before income tax credit		**(162,836)**	**(6,342)**
Income tax credit	20	50,805	-
Loss after income tax		**(112,031)**	**(6,342)**
Other Comprehensive Income for the year		-	-
Total comprehensive income for the year		**(112,031)**	**(6,342)**
Earnings per share			
- basic earnings per share for the period	12		(634)
- diluted earnings per share for the period	12	-	(634)

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2017

	Notes	2017 $	2016 $
ASSETS			
Current assets			
Cash and cash equivalents	6	21,752	813,795
Trade and other receivables	7	22,574	-
Other assets	8	15,390	24,648
Short-term investments	9	340,000	-
Total current assets		**399,716**	**838,443**
Non-current assets			
Property, plant and equipment	10	153,530	-
Intangible assets	11	107,554	-
Deferred tax asset	21	64,250	-
Total non-current assets		**325,334**	**-**
Total assets		**725,050**	**838,443**
Liabilities			
Current liabilities			
Trade and other creditors	12	17,735	12,125
Share applications received		-	813,650
Related party loans	14	-	19,000
Employee entitlements	13	10,380	-
Total current liabilities		**28,115**	**844,775**
Non current liabilities			
Deferred tax liability	21	13,445	-
Total non current liabilities		**13,445**	**-**
Total liabilities		**41,560**	**844,775**
Net assets		**683,490**	**(6,332)**
Equity			
Issued capital	15	801,863	10
Accumulated losses		(118,373)	(6,342)
Total equity		**683,490**	**(6,332)**

The accompanying notes form part of these financial statements.

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

	Issued capital $	Accumulated losses $	Total equity $
Balance at 28 September 2015	-	-	-
Total comprehensive income for the period	**-**	**(6,342)**	**(6,342)**
Transactions with owners in their capacity as owners:			
Shares issued during period	10	-	10
Balance at 30 June 2016	**10**	**(6,342)**	**(6,332)**
Balance at 1 July 2016	10	(6,342)	(6,332)
Total comprehensive income for the period	**-**	**(112,031)**	**(112,031)**
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs	801,853	-	801,853
Balance at 30 June 2017	**801,863**	**(118,373)**	**683,490**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2017

	Notes	2017 $	2016 $
Cash flows from operating activities			
Receipts from clients		130,170	-
Payments to suppliers and employees		(285,285)	(3,217)
Interest revenue received		11,290	-
Net cash used in operating activities	**18**	**(143,825)**	**(3,217)**
Cash flows from investing activities			
Purchase of investments - term deposit		(340,000)	-
Purchase of property, plant and equipment		(165,643)	-
Purchase of franchise licence		(127,426)	-
Related party loan repayment		(19,000)	-
Net cash used in investing activities		**(652,069)**	**-**
Cash flows from financing activities			
Proceeds from issues of shares		19,000	813,660
Payment for equity raising costs		(15,149)	(15,648)
Proceeds from related party borrowings		-	19,000
Net cash provided by financing activities		**3,851**	**817,012**
Net increase in cash held		(792,043)	813,795
Cash and cash equivalents at the beginning of the financial period		813,795	-
Cash and cash equivalents at the end of the financial year	**6**	**21,752**	**813,795**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2017

Note 1. Summary of significant accounting policies

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements, limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 8 September 2017 by the Directors of the company.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded off to the nearest dollar unless stated otherwise.

Accounting policies

b) 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 are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. 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 either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

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 in the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis 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 assets are:

Class of fixed asset	Depreciate rate
Fixtures and fittings	10 - 50%
Leasehold improvements	6%

Note 1. Summary of significant accounting policies (continued)

b) Property, plant and equipment (continued)

Depreciation (continued)

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 or losses are recognised in profit or loss when the item is derecognised.

c) Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

d) Trade receivables and payables

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

e) Contributed equity

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

f) 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 entities in the Group, 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 and the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

g) Goods and services tax

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

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

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

Note 1. Summary of significant accounting policies (continued)

h) Income tax

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

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

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

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred 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. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the Group in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

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. The 2017 financial year was the first year in which it was deemed probable by the Directors that unused tax losses could be utilised against future profits

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

i) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the financial instrument. For financial assets, this is equivalent to the date that the entity commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss” in which case transaction costs are recognised as expenses in profit or loss immediately.

Note 1. Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less repayments made 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 exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when 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 profit or loss.

The company does not designate any interests in subsidiaries, associates or joint ventures as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

i. Financial assets at fair value through profit or loss

   Financial assets are classified at “fair value through profit or loss” when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

ii. Loans and receivables

   Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

iii. Held-to-maturity investments

   Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the company’s intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

iv. Available-for-sale investments

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

   They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

   Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

Note 1. Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Classification and subsequent measurement (continued)

v. Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if the Directors establish that the carrying amount cannot be recovered by any means, at that point the anticipated loss is charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss event that has occurred is duly considered.

Financial guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as financial liabilities at fair value on initial recognition.

The fair value of financial guarantee contracts is assessed using the probability-weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting during the next reporting period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposure if the guaranteed party were to default.

Financial guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

Note 1. Summary of significant accounting policies (continued)

i) Financial instruments (continued)

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.

j) Intangible assets

Franchise fee and establishment fee

Fee paid to Bendigo and Adelaide bank for the cost of the franchise and establishment of the branch. This franchise and establishment fee is for a period of 5 years, and therefore represents a finite intangible asset that is carried at costs and amortised over its useful economic life (20% per annum). These assets are reviewed annually for impairment indicators.

Agency buy out fee

Fee paid to Bendigo and Adelaide Bank for the agency licence. This asset is recognised at cost and deemed to have an infinite useful life. This asset is reviewed annually for impairment.

k) Revenue and other income

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

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to a percentage of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as “day to day” banking business (i.e. ‘margin business’). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, a percentage of that loss.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (i.e. ‘commission business’). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits. The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously.

The third source of revenue is a proportion of the fees and charges (ie, what are commonly referred to as ‘bank fees and charges’) charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

l) Employee leave entitlements

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

Note 1. Summary of significant accounting policies (continued)

m) 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 future reporting periods is set out below:

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments, and simplified requirements for hedge accounting.

The Directors do not believe the effects of AASB 9 will significantly affect the company.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

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 entity expects to be entitled in exchange for the goods or services.

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

Although the Directors anticipate that the adoption of AASB 15 may have an impact on the company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019)

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the Directors anticipate that the adoption of AASB 16 will impact the company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Note 2. Significant events and transactions

The company was incorporated on 28 September 2015. During the 2016 financial year, the company prepared a prospectus for the raising of equity. The company incurred expenditure on transaction costs required to prepare the prospectus to attract potential investors. The equity raising offer opened on 4th January 2016 and after supplementary prospectus was successful in meeting the minimum subscription on 25 May 2016. The shares were issued in the 2017 financial year on 7 July 2016 and all directly attributable prepaid equity raising costs were offset against the equity issued.

Note 3. 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.

Key estimates

Impairment – general

The company assesses impairment at the end of each reporting period by evaluation of 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

Impairment – property, plant and equipment

There were no impairment indicators on property, plant and equipment assets for the year ended 30 June 2017.

Impairment – intangible assets - franchise, establishment fee and agency buy out assets

The loss after tax and operating cash outflows recognised in the year ended 30 June 2017 triggered an impairment indicator to review the recoverable amount of these assets.

With respect to cash flow projections, growth rates of $10M business on the books growth per annum for years 1-3 have been modelled into the projection over the next 5 years on the basis of management expectations regarding the increasing customer base of the bank.

No impairment has been recognised in respect of intangible assets at the end of the reporting period.

Note 4. Revenue and other income

	2017 $	2016 $
Gross margin income	94,854	-
Upfront product commission	194	-
Trailer product commission	13,275	-
Fee income	14,422	-
Market Development Fund	30,000	-
Total revenue from ordinary activities	**152,744**	**-**
Interest income	11,290	-
Total other income	**11,290**	**-**

	2017 $	2016 $

Note 5. Other expenses

	2017 $	2016 $
Motor vehicles expenses	3,531	-
Sponsorship	1,800	-
Cash delivery expense	2,203	-
ASIC fees	1,271	-
Entertainment expenses	3,172	-
Relocation costs	4,312	-
Fringe benefits expense	3,119	-
Other miscellaneous expenses	3,966	-
	23,374	**-**

Note 6. Cash and cash equivalents

	2017 $	2016 $
Cash at bank and on hand	21,752	813,795
	21,752	**813,795**
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:		
(a) Reconciliation of cash		
Cash at bank and on hand	21,752	813,795
	21,752	**813,795**

Note 7. Trade and other receivables

	2017 $	2016 $
Trade receivables	20,894	-
Accrued income	1,680	-
	22,574	**-**

Note 8. Other assets

	2017 $	2016 $
Prepayments	15,390	24,648
	15,390	**24,648**

Note 9. Financial assets

	2017 $	2016 $
Held to maturity investment	340,000	-
	340,000	**-**

	2017 $	2016 $

Note 10. Property, plant and equipment

Leasehold improvements		
At cost	105,281	-
Accumulated depreciation	(4,803)	-
Total leasehold improvements	**100,478**	**-**
Furniture and fittings		
At cost	65,165	-
Accumulated depreciation	(12,113)	-
Total furniture and fittings	**53,052**	**-**
Total property, plant and equipment	**153,530**	**-**
Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the period	-	-
Additions	105,281	-
Depreciation expense	(4,803)	-
Balance at the end of the period	**100,478**	**-**
Furniture and fittings		
Balance at the beginning of the period	-	-
Additions	65,165	-
Depreciation expense	(12,113)	-
Balance at the end of the period	**53,052**	**-**

Note 11. Intangible assets

Franchise fee		
At cost	10,000	-
Less: accumulated amortisation	(1,370)	-
Net carrying amount	**8,630**	**-**
Establishment fee		
At cost	100,000	-
Less: accumulated amortisation	(13,699)	-
Net carrying amount	**86,301**	**-**
Agency buy out		-
At cost	12,623	-
Total written down amount	**107,554**	**-**

	2017 $	2016 $

Note 11. Intangible assets (continued)

Movements in carrying amounts

	2017 $	2016 $
Franchise fee		
Balance at the beginning of the period	-	-
Additions	10,000	-
Amortisation expense	(1,370)	-
Balance at the end of the period	**8,630**	**-**
Establishment fee		
Balance at the beginning of the period	-	-
Additions	100,000	-
Amortisation expense	(13,699)	-
Balance at the end of the period	**86,301**	**-**
Agency buy out		
Balance at the beginning of the period	-	-
Additions	12,623	-
Amortisation expense	-	-
Balance at the end of the period	**12,623**	**-**

Note 12. Trade and other payables

	2017 $	2016 $
Trade creditors	5,669	125
PAYG Withheld from wages	10,140	-
GST payable	444	-
FBT payable	869	-
Accruals	435	12,000
Credit card	178	-
Total	**17,735**	**12,125**

Note 13. Provisions

	2017 $	2016 $
Opening balance	-	-
Amount provided	10,380	-
Closing balance	10,380	-
Current		
Annual leave	7,923	-
	7,923	**-**

	2017 $	2016 $

Note 13. Provisions (continued)

	2017 $	2016 $
Non-current		
Long service leave	2,457	-
	2,457	**-**

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

Note 14. Related party transactions

Key management personnel

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

	2017 $	2016 $
Transactions and outstanding balances with related parties		
Key management personnel		
Short-term employee benefits	59,580	-
Post-employment benefits	5,262	-
Other long-term benefits	923	-
	65,765	**-**
Other related party transactions		
Related party loans payable	**-**	**19,000**

The related party loans were non-interest bearing with no fixed repayment terms from Directors of the company. All outstanding amounts to related parties were repaid in the 2017 financial year.

Services provided by Director related entities

During the financial year, the company paid DAB Accounting $1,500 excluding GST for accounting services. DAB Accounting is a business operated by Mr David Baker, who is a Director of the company.

Note 14. Related party transactions (continued)

Services provided by Director related entities (continued)

During the financial year, the company signed a non-cancellable 5 year lease with The Covino Family Superannuation Fund for the rental premises in which the bank operates from. Mr Andrew Covino, was a Director of the company, and also a member of the Superannuation Fund.

Rental expenses of $18,000 were paid in the 2017 financial year (2016: $nil).

See note 16 for future lease commitments relating to this lease.

During the year, the company paid Kaylex Pty Ltd $16,500 (excluding GST) for services in relation to the fitting of an automatic door to the branch, which under the operating lease agreement with the lessor was to be borne by the lessee.

Ms Janine Rockliff was a Director of the company and also a Director of Kaylex Pty Ltd.

Note 15. Contributed equity

	2017 No	**2016 No**
832,660 ordinary shares fully paid (2016: 10 ordinary)	832,660	10
Less: equity raising expenses	(30,797)	-
	801,863	**10**
Movements in issued share capital		
At the beginning of the reporting period	10	-
Share issued during the year	832,650	10
At the end of the reporting period	**832,660**	**10**

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

Note 15. Contributed equity (continued)

Rights attached to shares (continued)

(c) Transfer

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

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

Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the Board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 160. As at the date of this report, the company had 178 shareholders.

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

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

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

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

Capital management

Management controls the capital of the Group in order to maintain a satisfactory debt to equity ratio and to ensure that the Group can fund its operations and continue as a going concern

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets. Currently, the Group does not consider it necessary to finance its operations through debt capital. Accordingly, the Group's only material financial liabilities at the end of the reporting period are trade and other payables.

Management manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market.

Except for the issuing of new shares in the capital raising, there have been no changes in the capital structure or the objectives, policies, processes and strategy adopted by management to manage the capital of the Group from the previous year.

	2017 $	2016 $

Note 15. Contributed equity (continued)

Capital management (continued)

The capital structure at 30 June 2017 and 30 June 2016 is as follows:

	2017 $	2016 $
Loans and borrowings	-	19,000
Trade and other payables	17,735	12,125
Less: Cash and cash equivalents	(21,752)	(813,795)
Net debt	**-**	**-**
Total equity	801,863	10
Total capital	**801,863**	**10**
Gearing ratio	Nil	Nil

Note 16. Capital and leasing commitments

Non-cancellable operating leases contracted for but not recognised in the financial statements

	2017 $	2016 $
Payables – minimum lease payments:		
not later than 12 months	24,540	-
between 12 months and five years	84,879	-
later than five years	-	-
	109,419	**-**

The above leasing commitment is for the non-cancellable operating lease of the bank's operating premises. The lease commenced in October 2016 for a period of 5 years with rent reviews annually

Note 17. Financial risk management

The company's financial instruments consist mainly of deposits with banks, accounts receivable and payable and short term investments.

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 to these financial statements, are as follows:

	2017 $	2016 $
Financial assets		
Cash and Cash Equivalents	21,752	813,795
Loans and receivables	22,574	-
Short term investments - held to maturity investments	340,000	-
Total financial assets	**384,326**	**813,795**

	2017 $	2016 $

Note 17. Financial risk management (continued)

Financial liabilities

Trade and other payables	17,735	12,125
Loans	-	19,000
Total financial liabilities	**17,735**	**31,125**

Financial risk management policies

The Directors' overall risk management strategy seeks to assist the company in meeting its financial targets, while minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk, and market risk relating to interest rate risk and other price risk.

There have been no substantive changes in the types of risks the company is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

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 customers and counterparties to transactions are of sound credit worthiness and includes the utilisation of systems for the approval, granting and renewal of credit limits, the regular monitoring of exposures against such limits and the monitoring of the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the finance committee has otherwise cleared as being financially sound. Where the company is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held, is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The company has no significant concentrations of credit risk with any single counterparty or group of counterparties, that is not with a large and reputable financial institution within Australia.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality.

Liquidity risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operating, investing and financing activities;
- using derivatives that are only traded in highly liquid markets;

Note 17. Financial risk management (continued)

Liquidity risk (continued)

- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities. The company does not hold any derivative financial liabilities directly.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2017 $	2016 $	2017 $	2016 $	2017 $	2016 $	2017 $	2016 $
Financial liabilities due for payment								
Trade and other payables	17,735	12,125	-	-	-	-	17,735	12,125
Related Party Loans	-	19,000	-	-	-	-	-	19,000
Total expected outflows	**17,735**	**31,125**	**-**	**-**	**-**	**-**	**17,735**	**31,125**
Financial assets - cash flow realisable								
Cash and cash equivalents	21,752	813,795	-	-	-	-	21,752	813,795
Trade and other receivables	22,574	-	-	-	-	-	22,574	-
Short-term investments	340,000	-	-	-	-	-	340,000	-
Total expected Inflows	**384,326**	**813,795**	**-**	**-**	**-**	**-**	**384,326**	**813,795**
Net (Outflow)/inflow on financial instruments	**366,591**	**782,670**	**-**	**-**	**-**	**-**	**366,591**	**782,670**

Market risk

<u>Interest rate risk</u>

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

Note 17. Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

	2017	2016
The weighted average interest rates of the Group's interest-bearing financial assets are as follows:		
Financial assets		
Cash and cash equivalents	1%	1%
Short-term investments - held to maturity investments	2.15%	-

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 of 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 2017		
+/–1% in interest rates (interest income)	8,138	8,138
Year ended 30 June 2016		
+/–1% in interest rates (interest income)	3,617	3,617

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

	2017 $	2016 $

Note 18. Statement of cash flows

Reconciliation of loss from ordinary activities after tax to net cash used in operating activities		
Loss from ordinary activities after income tax	(112,031)	(6,342)
Non cash items:		
Amortisation	15,069	-
Depreciation	16,916	-
	(80,046)	**(6,342)**

	2017 $	2016 $

Note 18. Statement of cash flows (continued)

Changes in assets and liabilities:		
Decrease / (increase) in receivables	(22,574)	-
Decrease / (increase) in other assets	9,256	-
Increase / (decrease) in trade and other payables	(10,036)	3,125
Increase / (decrease) in provisions	10,380	-
Increase / (decrease) in deferred tax liabilities	(50,805)	-
Net cash flows used in operating activities	**(143,825)**	**(3,217)**

Note 19. Auditors remuneration

Remuneration of the Auditor is as follows:		
External audit of the financial statements	4,000	3,000
Review of the half-year financial statements	2,000	1,500
Total Auditor's remuneration	**6,000**	**4,500**

Note 20. Income tax expense

The components of tax expense comprise:		
Current tax expense	(53,912)	
Deferred tax expense	9,132	
First time recognition of deferred taxes - brought forward taxable losses	(6,025)	
Total	**(50,805)**	
The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax expense as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 27.5%	(44,780)	
Previously unrecognised brought forward tax losses	(6,025)	
Other non allowable items		
	(50,805)	

	2017 $	2016 $

Note 21. Tax balances

	2017 $	2016 $
Current		
Income tax payable	**-**	**-**
Non-current		
Deferred tax comprises:		
Deferred tax liability	(13,445)	-
Deferred tax asset	64,250	-
	50,805	**-**
Deferred tax asset comprises:		
Provisions and accruals not claimed for tax purposes	1,459	-
Employee Entitlements	2,855	-
Accumulated losses	59,937	-
	64,250	**-**
Deferred tax liability comprises:		
Accelerated depreciation for tax purposes	7,357	-
Other taxable temporary differences	6,088	-
	13,445	**-**

Note 22. Events occurring after the balance sheet date

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

Note 23. Contingent liabilities

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

Note 24. Registered office/principal place of business

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

Registered office
Shop 1, 44 Christie Street,
Canungra QLD 4275

Principal place of business
Shop 1, 44 Christie Street,
Canungra QLD 4275

Directors' declaration

In accordance with a resolution of the Directors of Canungra and District Community Financial Group Limited, the Directors of the company declare that:

1. the financial statements and notes set out on pages 12 to 35 are in accordance with the Corporations Act 2001 and;

   (a) comply with the Australian Accounting Standards, which, as stated in accounts policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   (b) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date; and

2. in the Director's 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.

Ms Janine Rockliff
Chairperson

Signed on the 8 September 2017

Independent audit report

mgi BUSINESS SOLUTIONS WORLDWIDE

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INDEPENDENT AUDITORS REPORT
TO THE MEMBERS OF
CANUNGRA & DISTRICT COMMUNITY FINANCIAL GROUP LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Canungra & District Community Financial Group Limited (the Company), which comprises the statement of financial position as at 30 June 2017 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

(a) the financial report of Canungra & District Community Financial Group Limited is in accordance with the *Corporations Act 2001*, including:

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

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001; and*

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Responsibility of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidated the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal control.

- Obtain and understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and reasonableness of accounting estimates and related disclosures made by directors.

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

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

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

M.G.I

MGI Audit Pty Ltd

S C Greene
Director

Brisbane

8 September 2017

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Phone: (07) 5543 5773

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