Annual Report 2017

Chittering Financial Services Limited

ABN 77 096 017 506

Bullsbrook **Community Bank**® Branch
Bindoon **Community Bank**® Branch
Ellenbrook branch

Contents

Chairman's report

For year ending 30 June 2017

The Reserve Bank's reluctance in raising interest rates has an effect on our ability to take advantage of a growing lending book.

Indeed, an argument can be made that ongoing historically low interest rates are generating ongoing economic problems which may, in fact be detrimental to the economy.

A continued lack of confidence still exists in our local community, although with housing loan opportunities growing, I sense there are emerging green shoots.

Chittering Financial Services Limited continues on the right trajectory. Expenses continue to be in tight control and income growth is steady.

We saw deposits increase by slightly over $10 million to in excess of $80 million and loans increase by slightly over $12 million to over $75 million. These increases are significant and sustainable.

All three branches delivered encouraging results particularly in insurance where Bindoon took the State Title.

In order to take greater advantage of income from Bendigo Bank the Board upgraded Bindoon to full **Community Bank**® branch status with its separate Franchise Agreement. This will enable each branch now to receive the full branch profit sharing benefits whereas previously we only received profit shares for just two branches with Bindoon receiving a part of the Bullsbrook funds.

Chittering Financial Services Limited grows because of the leadership of our three Branch Managers, Allen Amor, Matthew Brown and Andrew Cooke. Our teams gain and maintain growth through customer focused product delivery. We are sincerely grateful for the efforts of all members of staff.

I am thankful to be working with a Board that is singularly focused on success and working well as a team.

During the year Director and Deputy Chairman Michelle Rossouw tendered her resignation due to a significant career opportunity. We thank Michelle for her significant work for Chittering Financial Services Limited.

Banking trends have led to a decrease in foot traffic which has necessitated the ending of Saturday branch opening.

No Directors' fees were paid and no Director sought reimbursement of any expenses. This year's results will mean that there will be no dividend.

Trevor Hancock
Chairman

Bullsbrook Manager’s report

For year ending 30 June 2017

It has been a challenging year within the mortgage market with new rules and regulations being imposed by APRA, which Bendigo Bank has had to implement.

Having said that, Bullsbrook **Community Bank**® Branch still saw good mortgage and deposit growth with a total growth of $5.9 million being added to the Balance Sheet. This gave us a healthy net profit for the branch.

Over the past year Bullsbrook **Community Bank**® Branch has continued with supporting the local community clubs by providing match quality footballs to Bullsbrook Football club plus donations to Bullsbrook Bowls Club, Chequers Golf club, along with being one of the sponsors to the Muchea Cricket Club. We also help Bullsbrook Kindy with a donation and to celebrate their 40th Anniversary.

We are again looking forward to providing more rewards to local clubs, groups or association through our Rewards Program. This is a great way to give more donations to a particular club, group or association by setting up a referral agreement. When one of their members, or their family members have finalised new business through the Bullsbrook and Bindoon **Community Bank**® branches, such as a home loan, a personal loan, credit card or even just a new savings account, it creates more funds to be put back into the community.

I’d like to acknowledge the continued support from the Chittering Financial Services Limited Board, as well as the team at Bullsbrook **Community Bank**® Branch, Anne Teti, Stacey Teti, Kathleen Atkinson and Angie Pooley, for all their hard work and dedication to the group. We also welcomed Lorrin McKay to our team in June 2017.

We will continue to have challenges, but we will always try and find ways to overcome them. We will endeavour to provide a personal and quality service to all our current and potential new customers and an understanding of their financial needs and objectives by delivering the best possible solution to them.

Best wishes,

Allen Amor
Bullsbrook Community Bank® Branch Manager

Bindoon Manager's report

For year ending 30 June 2016

Bindoon has seen multiple successes this year receiving accolades for best performing insurance sales in the region as well as best performing branch for general insurance in the state for the 2016/17 financial year. We also received an award for being the best overall performing branch in the state for the month of May which was a great result for the team.

On a growth front, Bindoon also had a successful year with both lending and deposit targets being met with the lending target being exceeded significantly.

Staffing was also stable through 2016/17 financial year with the development of staff skillsets being a major focus and I personally believe has contributed to the success of the branch. The positive attitude towards work is also making the branch an enjoyable place for customers and has boosted morale overall.

Although the branch is still not in a profitable position yet, the outlook for Bindoon is bright, with strong growth through the 2016/17 financial year and strong growth already in the 2017/18 financial year. I'm confident this will change in the near future with the continued support of our shareholders, local community and great service by our staff at Bindoon.

Kind regards,

Andrew Cooke
Branch Manager
Bindoon Community Bank® Branch Manager

Ellenbrook Manager’s report

For year ending 30 June 2017

The year in review

Thank you to the wonderful staff of Ellenbrook branch, who are the best, and make the Bendigo Bank a great place to work. To our Board of Directors, thank you for your support of the business and for trying to make the very best outcomes for our group as a whole. Thank you to our shareholders, for providing your continued support of our local community to enable us to grow and, finally to our customers, thank you for banking with us and for your continued support of you, your friends, family and work colleagues.

The year has seen interest rates fall significantly and impacted on the strategic planning and growth for the branch. We consistently worked well through the year by exceeding our lending and deposit growth targets for the branch.

The mobile phone is now the must used innovation of our time and provides a challenging initiative to gain more clients by providing our diverse products and services using this medium. How do we ask for these customers to become a Bendigo Bank customer?

With you as our shareholders, we can join as a team together to help get new business into the branches, through introduction of community groups, schools, business owners.

Business development is an integral part of the types of initiatives we are developing. We are able to meet with our customers, shareholders, Directors, our clubs and groups to build a bigger better community and with everyone banking with our **Community Bank**® branches. Building our businesses in this area will enable us to grow to provide further grants and sponsorships towards community contributions and to provide future dividends.

Best wishes,

Matthew Brown
Ellenbrook 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:

Trevor Charles Forsyth Hancock

Chairman

Occupation: Antique Dealer

Qualifications, experience and expertise: City Councillor, Director of Marketing, Director of Public Affairs and an Expert Advisor Australian Cultural Gifts Program.

Special responsibilities: Chairman

Interest in shares: Nil

Ross Albert Bishop

Director

Occupation: Supermarket Owner

Qualifications, experience and expertise: Running Supermarket for 30 years and Liquor Store for 10 years.

Special responsibilities: HR & Governance Committee

Interest in shares: 10,000

John Trevor Williams

Director

Occupation: Retired Accountant

Qualifications, experience and expertise: B.Bus at W.A.I.T and member of the Institute of Chartered Accountants in Australia and New Zealand. Previously employed in a local abattoir, in local and interstate farms, as a shearer and shedhand in the wool industry, as a fettler on the Central Australian Railways and as an accountant for 35 years. John is also the President of the Bindoon Volunteer Bush Fire Brigade, Treasurer of the Chittering Incident Support Brigade and Treasurer of the Bindoon Men's Shed Incorporated. As well as a Member of the Chittering Cancer Support Group and Bindoon & Districts Agricultural Society Incorporated and a Board Member of the Catholic Agricultural College Bindoon.

Special responsibilities: Finance Committee

Interest in shares: Nil

Catherine Ann McCollough

Director (Appointed 26 October 2016)

Occupation: Councillor, City of Swan

Qualifications, experience and expertise: BA Arts Education, Councillor for the City of Swan, Interior Design/Building Industry, Director Ellenbrook Secondary College, Chair Aveley Community Advisory Group and Chair of Ellenbrook Community Collective. Cate has taught in the local community for nearly 12 years and is now one of the local City of Swan Councillors for Ellenbrook. She is heavily involved in local community groups, initiatives and activities and also works in the Interior Design/Building Industry.

Special responsibilities: Marketing Committee

Interest in shares: Nil

Directors (continued)

Nicolette Joy Ward

Director (Appointed 26 October 2016)

Occupation: Community Volunteer

Qualifications, experience and expertise: Over 8 years of mortgage experience within both banking and broker markets. Over 4 years of construction experience in both small and large building companies. Over 2 years of community service and events management through Rotary and Ellenbrook Community Collective.

Special responsibilities: Finance Committee

Interest in shares: Nil

Carolyn Frances Cover

Director (Appointed 21 March 2017)

Occupation: Home Duties

Qualifications, experience and expertise: Senior Bookkeeping with approximately 16 years experience. Member of the CWA (The Country Women's Association of WA) State Finance Committee for 2 years. Is an active member of the Chittering Bindoon CWA and held the positions of Branch President for 3 years and Branch Treasurer for 3 years. Has a Certificate in Business Studies. During working career she was involved in all aspects of accounts and payroll, including monthly and quarterly reports to trial balance. Carolyn has used nine different accounting packages of which she was involved in implementing and training staff for four of them. In 2016 she was involved in investigating the cost and procedure to implement an accounting computer package for 142 Branches for the CWA.

Special responsibilities: Nil

Interest in shares: Nil

Michelle Rossouw

Director (Resigned 20 June 2017)

Occupation: Electorate Officer

Qualifications, experience and expertise: Diploma in Business, Chair of Local Emergency Management Committee (Shire of Chittering), President of Chittering Valley Progress and Sports Association, Deputy President of Shire of Chittering, Local Council and Member of the Livestock Centre Muchea Consultative Group.

Special responsibilities: Marketing and Sponsorship Committee

Interest in shares: Nil

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

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

Company Secretary

The company secretary is Stephanie Pascoe. She was appointed to the position of secretary on 5 September 2016, replacing the former company secretary Meredith Lee-Curtis.

Stephanie's qualifications and experience include a Diploma in Business Administration & Secretarial Studies, General Manager Secretary - Project Engineering Rio Tinto, Team Leader/Mentor - Administration Group and Project Engineering Rio Tinto, over 20 years administrative and secretarial experience in projects/planning, accountancy, manufacturing, importing, dental and the construction industry.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2017 $	Year ended 30 June 2016 $
(44,538)	(63,657)

Dividends

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

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

The company will continue its policy of facilitating banking services to the community.

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 22 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended	
	Eligible	**Attended**
Trevor Hancock	10	9
Ross Albert Bishop	10	7
John Trevor Williams	10	9
Cate McCullough (Appointed 26 October 2016)	8	5
Nicolette Ward (Appointed 26 October 2016)	8	6
Carolyn Frances Cover (Appointed 23 March 2017)	3	3
Michelle Rossouw (Resigned 20 June 2017)	10	9

Proceedings on behalf of the company

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

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

Non audit services

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

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

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

Auditor's independence declaration

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

Signed in accordance with a resolution of the board of directors at Bullsbrook, Bindoon and Ellenbrook, Western Australia on 28 August 2017.

Trevor Charles Forsyth Hancock,
Chairman

Auditor's independence declaration

Partners in success

Chartered Accountants

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

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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 28 August 2017

David Hutchings
Lead Auditor

Taxation | Audit | Business Services

Liability limited by a scheme approved under Professional Standards Legislation. ABN 51 061 795 337

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	1,393,434	1,316,261
Employee benefits expense		(974,825)	(898,138)
Charitable donations, sponsorship, advertising and promotion		(18,649)	(12,167)
Occupancy and associated costs		(125,307)	(150,528)
Systems costs		(85,852)	(82,257)
Depreciation and amortisation expense	5	(35,294)	(43,603)
Finance costs	5	(705)	(979)
General administration expenses		(210,245)	(210,480)
Loss before income tax credit		**(57,443)**	**(81,891)**
Income tax credit	6	12,905	18,234
Loss after income tax credit		**(44,538)**	**(63,657)**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**(44,538)**	**(63,657)**

Earnings per share		**¢**	**¢**
Basic earnings per share	23	(8.93)	(12.76)

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2017

	Notes	2017 $	2016 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	16,323	17,370
Trade and other receivables	8	107,248	107,082
Total Current Assets		**123,571**	**124,452**
Non-Current Assets			
Property, plant and equipment	9	32,254	47,548
Intangible assets	10	177,527	30,000
Deferred tax asset	11	95,320	82,415
Total Non-Current Assets		**305,101**	**159,963**
Total Assets		**428,672**	**284,415**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	87,006	61,099
Borrowings	13	10,884	6,518
Provisions	14	62,965	54,386
Total Current Liabilities		**160,855**	**122,003**
Non-Current Liabilities			
Trade and other payables	12	155,409	-
Borrowings	13	4,895	10,707
Provisions	14	20,219	19,873
Total Non-Current Liabilities		**180,523**	**30,580**
Total Liabilities		**341,378**	**152,583**
Net Assets		**87,294**	**131,832**
Equity			
Issued capital	15	495,209	495,209
Accumulated losses	16	(407,915)	(363,377)
Total Equity		**87,294**	**131,832**

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 1 July 2015	**495,209**	**(299,720)**	**195,489**
Total comprehensive income for the year	-	(63,657)	(63,657)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2016	**495,209**	**(363,377)**	**131,832**
Balance at 1 July 2016	**495,209**	**(363,377)**	**131,832**
Total comprehensive income for the year	-	(44,538)	(44,538)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2017	**495,209**	**(407,915)**	**87,294**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2017

	Notes	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		1,438,660	1,345,418
Payments to suppliers and employees		(1,437,843)	(1,386,141)
Interest received		288	322
Interest paid		(705)	(979)
Net cash provided by/(used in) operating activities	**17**	**400**	**(41,380)**
Cash flows from investing activities			
Payments for property, plant and equipment		-	(1,736)
Net cash used in investing activities		**-**	**(1,736)**
Cash flows from financing activities			
Repayment of borrowings		(5,813)	(5,541)
Net cash used in financing activities		**(5,813)**	**(5,541)**
Net decrease in cash held		**(5,413)**	**(48,657)**
Cash and cash equivalents at the beginning of the financial year		17,370	66,027
Cash and cash equivalents at the end of the financial year	**7(a)**	**11,957**	**17,370**

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.

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

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

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

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branches at Bullsbrook, Bindoon and Ellenbrook, Western Australia.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

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

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

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

Going concern

The net assets of the company as at 30 June 2017 were $87,294 and the loss made for the year was $44,538, bringing accumulated losses to $407,915.

In addition:	**$**
Total assets were	428,672
Total liabilities were	341,378
Operating cash flows were	400

There was a 30% decrease in the loss recorded for the financial year ended 30 June 2017 when compared to the prior year.

The company meets its day to day working capital requirements through an overdraft facility that is due for renewal on 14 August 2018. The overdraft has an approved limit of $90,000 and was drawn to $4,366 as at 30 June 2017.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Going concern (continued)

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 1 to 4. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

The current economic environment is difficult and while revenue has increased the company has again reported an operating loss for the year. The directors consider that the outlook presents significant challenges in terms of banking business volume and pricing as well as for operating costs. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current overdraft facility.

The company has held discussions with Bendigo and Adelaide Bank Limited about its future borrowing needs. It is likely that these discussions will not be completed for some time but no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms. The company has also obtained an undertaking of support from Bendigo and Adelaide Bank Limited that it will continue to support the company and its operations for the 2017/18 financial year. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

The directors have concluded that the combination of the circumstances above represents a material uncertainty that casts doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

b) Revenue

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

Revenue calculation

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

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

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Commission

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

Fee income

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

Discretionary financial contributions

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

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

It is for the board to decide how to use the MDF.

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

Ability to change financial return

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

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

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

- leasehold improvements 40 years
- plant and equipment 2.5 - 40 years
- motor vehicles 3 - 5 years

h) Intangibles

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

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

Note 1. Summary of significant accounting policies (continued)

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Financial liabilities

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

Impairment

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

l) Leases

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

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

Note 1. Summary of significant accounting policies (continued)

m) Provisions

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

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

Note 2. Financial risk management (continued)

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

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

The distribution limit is the greater of:

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

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2017 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Note 3. Critical accounting estimates and judgements (continued)

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

Note 4. Revenue from ordinary activities

	2017 $	2016 $
Operating activities:		
- gross margin	1,042,080	813,210
- services commissions	92,630	212,189
- fee income	138,779	145,906
- market development fund	62,917	95,417
Total revenue from operating activities	**1,336,406**	**1,266,722**
Non-operating activities:		
- interest received	288	322
- other revenue	56,740	49,217
Total revenue from non-operating activities	**57,028**	**49,539**
Total revenues from ordinary activities	**1,393,434**	**1,316,261**

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	2,857	10,196
- leasehold improvements	10,196	11,913
- motor vehicle	2,241	1,494
Amortisation of non-current assets:		
- franchise renewal fee	20,000	20,000
	35,294	**43,603**
Finance costs:		
- interest paid	**705**	**979**
Bad debts	**1,472**	**3,052**

Note 6. Income tax credit

The components of tax credit comprise:		
- Future income tax benefit attributable to losses	(12,062)	(20,969)
- Movement in deferred tax	(3,735)	457
- Adjustment to deferred tax to reflect change of tax rate in future periods	2,892	-
- Under/(Over) provision of tax in the prior period	-	2,278
	(12,905)	**(18,234)**

	2017 $	2016 $
Note 6. Income tax credit (continued)		
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax credit as follows		
Operating loss	(57,443)	(81,891)
Prima facie tax on loss from ordinary activities at 27.5% (2016: 28.5%)	(15,797)	(23,339)
Add tax effect of:		
- timing difference expenses	3,735	2,370
	(12,062)	**(20,969)**
Movement in deferred tax	(3,735)	457
Adjustment to deferred tax to reflect change of tax rate in future periods	2,892	-
Under/(Over) provision of income tax in the prior year	-	2,278
	(12,905)	**(18,234)**

Note 7. Cash and cash equivalents

Cash at bank and on hand	4,823	5,870
Term deposits	11,500	11,500
	16,323	**17,370**
Note 7.(a) Reconciliation to cash flow statement		
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:		
Cash at bank and on hand	4,823	5,870
Term deposits	11,500	11,500
Bank overdraft	(4,366)	-
	11,957	**17,370**

Note 8. Trade and other receivables

Trade receivables	98,335	93,968
Prepayments	8,913	13,114
	107,248	**107,082**

	2017 $	2016 $
Note 9. Property, plant and equipment		
Leasehold improvements		
At cost	239,702	239,702
Less accumulated depreciation	(228,920)	(218,724)
	10,782	**20,978**
Plant and equipment		
At cost	302,500	302,500
Less accumulated depreciation	(299,705)	(296,848)
	2,795	**5,652**
Motor vehicles		
At cost	23,906	23,906
Less accumulated depreciation	(5,229)	(2,988)
	18,677	**20,918**
Total written down amount	**32,254**	**47,548**
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	20,978	31,174
Additions	-	-
Disposals	-	-
Less: depreciation expense	(10,196)	(10,196)
Carrying amount at end	**10,782**	**20,978**
Plant and equipment		
Carrying amount at beginning	5,652	15,829
Additions	-	1,736
Disposals	-	-
Less: depreciation expense	(2,857)	(11,913)
Carrying amount at end	**2,795**	**5,652**
Motor vehicles		
Carrying amount at beginning	20,918	22,412
Additions	-	-
Disposals	-	-
Less: depreciation expense	(2,241)	(1,494)
Carrying amount at end	**18,677**	**20,918**
Total written down amount	**32,254**	**47,548**

	Note	2017 $	2016 $

Note 10. Intangible assets

	Note	2017 $	2016 $
Franchise fee			
At cost		366,708	177,686
Less: accumulated amortisation		(189,181)	(147,686)
		177,527	**30,000**
Total written down amount		**177,527**	**30,000**

Note 11. Tax

	Note	2017 $	2016 $
Non-Current:			
Deferred tax assets			
- accruals		868	770
- employee provisions		22,875	21,164
- tax losses carried forward		74,028	64,219
		97,771	**86,153**
Deferred tax liability			
- deductible prepayments		2,451	3,738
		2,451	**3,738**
Net deferred tax asset		**95,320**	**82,415**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income		**(12,905)**	**(18,234)**

Note 12. Trade and other payables

	Note	2017 $	2016 $
Current:			
Trade creditors		50,970	11,965
Other creditors and accruals		36,036	49,134
		87,006	**61,099**
Non-Current:			
Other creditors and accruals		155,409	-
		155,409	**-**

Note 13. Borrowings

	Note	2017 $	2016 $
Current:			
Bank overdrafts		4,366	-
Chattel mortgage	18	6,518	6,518
		10,884	**6,518**

	Note	2017 $	2016 $
Note 13. Borrowings (continued)			
Non-Current:			
Chattel mortgage	18	4,895	10,707
		4,895	**10,707**

The company has an approved Overdraft facility for $90,000 from Bendigo and Adelaide Bank Limited. The Overdraft is currently 3.79% p.a varying from time to time and debited monthly.

Bank loans are repayable monthly with the final instalment due on 1 April 2019. Interest is recognised at 4.84% p.a.

Note 14. Provisions

Current:		
Provision for annual leave	53,544	45,576
Provision for long service leave	9,421	8,810
	62,965	**54,386**
Non-Current:		
Provision for long service leave	**20,219**	**19,873**

Note 15. Contributed equity

498,709 ordinary shares fully paid (2016: 498,709)	498,709	498,709
Less: equity raising expenses	(3,500)	(3,500)
	495,209	**495,209**

Rights attached to shares

(a) Voting rights

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

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

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

Note 15. Contributed equity (continued)

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

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

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

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

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

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

	2017 $	**2016 $**
Note 16. Accumulated losses		
Balance at the beginning of the financial year	(363,377)	(299,720)
Net loss from ordinary activities after income tax	(44,538)	(63,657)
Balance at the end of the financial year	**(407,915)**	**(363,377)**

	2017 $	2016 $

Note 17. Statement of cash flows

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

	2017 $	2016 $
Loss from ordinary activities after income tax	(44,538)	(63,657)
Non cash items:		
- depreciation	15,294	23,603
- amortisation	20,000	20,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(166)	(24,289)
- (increase)/decrease in other assets	(180,431)	(18,234)
- increase/(decrease) in payables	181,316	8,530
- increase/(decrease) in provisions	8,925	12,667
Net cash flows provided by/(used in) operating activities	**400**	**(41,380)**

Note 18. Leases

Finance lease commitments

	2017 $	2016 $
Payable - minimum lease payments:		
- not later than 12 months	6,936	7,223
- between 12 months and 5 years	5,013	11,244
- greater than 5 years	-	-
Minimum lease payments	**11,949**	**18,467**
Less future finance charges	(536)	(1,242)
Present value of minimum lease payments	**11,413**	**17,225**

The finance lease of $23,661 for the motor vehicle, which commenced in April 2015, is a four-year lease. Interest is recognised at an a fixed interest rate of 4.84%. The finance lease is secured by the underlying asset.

Operating lease commitments

	2017 $	2016 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	96,553	91,554
- between 12 months and 5 years	137,444	67,104
- greater than 5 years	1,008	-
	235,005	**158,658**

The three property leases are non-cancellable leases each with a 4-5 year term,
with rent payable monthly in advance and annual CPI increases. Two of the leases have 2 five-year extension options.

Notes to the financial statements (continued)

Note 19. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:

	2017 $	2016 $
- audit and review services	4,200	4,100
- non audit services	2,390	575
	6,590	**4,675**

Note 20. Director and related party disclosures

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

- Trevor Hancock
- Ross Albert Bishop
- John Trevor Williams
- Cate McCullough (Appointed 26 October 2016)
- Nicolette Ward (Appointed 26 October 2016)
- Carolyn Frances Cover (Appointed 23 March 2017)
- Michelle Rossouw (Resigned 20 June 2017)

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

	2017	2016
Directors' Shareholdings		
Trevor Hancock	-	-
Ross Albert Bishop	10,000	10,000
John Trevor Williams	-	-
Cate McCullough (Appointed 26 October 2016)	-	-
Nicolette Ward (Appointed 26 October 2016)	-	-
Carolyn Frances Cover (Appointed 23 March 2017)	-	-
Michelle Rossouw (Resigned 20 June 2017)	-	-

There was no movement in directors' shareholdings during the year.

Notes to the financial statements (continued)

Note 21. Dividends paid or provided

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

	2017 $	2016 $
Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	31,542	31,542
- franking credits that will arise from payment of income tax as at the end of the financial year	-	-
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	**31,542**	**31,542**
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	**31,542**	**31,542**

Note 22. Key management personnel disclosures

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

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

Community Bank® Directors' Privileges Package

The board has adopted the **Community Bank®** Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank®** branches at Bullsbrook, Bindoon and Ellenbrook. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the directors from the Directors' Privilege Package are $1,409 for the year ended 30 June 2017 (2016: $773).

Note 23. Earnings per share

	2017 $	2016 $
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(44,538)	(63,657)

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	498,709	498,709

Note 24. Events occurring after the reporting date

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

Note 25. Contingent liabilities and contingent assets

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

Note 26. Segment reporting

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

Note 27. 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
1/2543 Great Northern Highway
Bullsbrook WA 6084

Principal Place of Business
1/2543 Great Northern Highway
Bullsbrook WA 6084

13 Binda Place
Bindoon WA 6502

6/38 Main Street
Ellenbrook WA 6069

Note 28. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2017 $**	**2016 $**	**2017 $**	**2016 $**	**2017 $**	**2016 $**	**2017 $**	**2016 $**	**2017 $**	**2016 $**	**2017 %**	**2016 %**
Financial assets												
Cash and cash equivalents	4,823	5,870	11,500	11,500	-	-	-	-	-	-	2.50	2.80
Receivables	-	-	-	-	-	-	-	-	98,335	93,968	N/A	N/A
Financial liabilities												
Interest bearing liabilities	4,366	-	6,518	6,518	4,895	10,707	-	-	-	-	4.97	4.84
Payables	-	-	-	-	-	-	-	-	12,177	11,965	N/A	N/A

Note 28. Financial instruments (continued)

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2017 **$**	**2016** **$**
Change in profit/(loss)		
Increase in interest rate by 1%	5	1
Decrease in interest rate by 1%	(5)	(1)
Change in equity		
Increase in interest rate by 1%	5	1
Decrease in interest rate by 1%	(5)	(1)

Directors' declaration

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

In the opinion of the directors:

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

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

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

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

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.

Trevor Charles Forsyth Hancock,
Chairman

Signed on the 28th of August 2017.

Partners in success
Chartered Accountants

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

Independent auditor's report to the members of Chittering Financial Services Limited

Report on the audit of the financial statements

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

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

What we have audited
Chittering Financial Services Limited's (the company) financial report comprises the:

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

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

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

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

Material uncertainty related to going concern
Our opinion is not modified for this matter. We draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss after tax of $44,538 during the year ended 30 June 2017, further reducing the company's net assets to $87,294. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Other information

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

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

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

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 28 August 2017

David Hutchings
Lead Auditor

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