

Annual Report 2017

Cobden & Districts
Community Finance Limited

ABN 84 117 781 049

Cobden & Districts **Community Bank**[®] Branch
Camperdown branch

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Chairman's report

For year ending 30 June 2017

It is with pleasure and admiration that I present the 12th Annual Report of Cobden & Districts Community Finance Limited.

The company is continuing to trading profitably and will continue to do so if all external factors stay the same. It has been a hard road, and will be for some time, but the difference we make now and the difference we see in the longer term for our local communities is something we must continually strive for success.

Be the Change

- You may not think who you bank with matters. But it does. And for our customers, their banking is making a real difference.
- With 317 **Community Bank**[®] branches Australia-wide, 1,900 Directors and 1,550 staff, we can provide all banking services.
- Every day our customers help change lives, and save lives, simply by banking with us. Their home loans are building skate and sports parks, hospital wings and classrooms. Personal loans, business banking and credit cards are funding ambulances, rescue boats, disabled and aged care facilities.
- Everyday banking is providing all this and more. In fact, \$165 million has been returned to communities and initiatives Australia-wide.
- You need a bank to give you the products and services you need. We need your banking to help us make a difference.

On a local level, my admiration goes out

- to our shareholders, who give us an opportunity to provide their banking,
- to our customers, who by just doing something as simple as banking with us,
- to our staff, who are more than just another banks "staff members" and
- to our Board, who, day in day out freely sell the **Community Bank**[®] concept to our community,
- To our community supporters who are growing in numbers everyday.

Everyone can contribute to a successful and sustainable community – Just through banking.

We have still managed to grow the business to have in excess of \$125 million in footings and growing daily. However, we need to be mindful of what some of the threats and risks we may see in the next few years.

We still have many challenges to contend with;

- The GFC continues to provide many financial aftershocks.
- Very slow economy particularly in local rural infrastructure and services.
- Low interest rates.
- Expansion to other areas such as Terang, Timboon and Mortlake.
- Declining foot traffic, declining cash transactions.
- Declining ATM withdrawals (Nationally down 22% last five years)
- New Branch Manager Lauren Hester and new Regional Managers.
- New direction of Rural Bank.

Chairman's report (continued)

Our community balance sheet is something that I am very proud of and it needs to be recorded here.

- It's this local community Board who decide where the funds go, and it's all about engaging and strengthening our communities.
- Over 90 local clubs and organisations have received a benefit from our **Community Bank**[®] branch.
- Over \$450,000 has been given directly back to the local community by way of grants, sponsorship and donations by the Board's sponsorship programs.
- These sponsorship programs will grow in value approximately \$65,000 plus every year.
- We have long-term partnerships with the Cobden Health, Camperdown Football Netball Club, Port Campbell Surf Life Saving Club and the Cobden Recreation Reserve Committee of Management (in conjunction with the sporting clubs involved).
- Operation of two branches, one in **Community Bank**[®] branch in Cobden and a branch in Camperdown.
- The direct employment of eight local community members.
- Provision of a dividend to our shareholders for the third year in a row.
- We disperse locally, local capital from your bank profits.
- Provide a local competitive landscape.
- This all helps to strengthen the community commitment.

Where to from here? Well the formula is simple, more customers and more funds under management = increased local profits (that would go elsewhere if not with the **Community Bank**[®] branch) = more local community investment.

Our staff advise us, from their analysis of our accounts, that we currently have approx 49% of our shareholders who substantially bank with us, 16% who have a minimal engagement with us and a disappointing 37% who have no banking with us at all. We need to work harder in selling our message and the reason for existence, (even to those who originally supported us):

To provide quality banking services to benefit our shareholders and our community.

The Board has an enormous depth of commitment to the company, partnered by a great vision for the community. They continue to be proactive in ensuring the business continues to achieve the best outcomes for our shareholders, customers, staff and the company.

To Margaret McDonald our Company Secretary, we thank you for your time and diligence to ensure that we are operating correctly and efficiently. Margaret is retiring at this Annual General Meeting, and we also thank her for the total commitment for 11 years as Company Secretary.

To our Treasurer, Simon Buccheri, our Vice Chairman, Gary Kimber, have both performed extremely well representing our organisation at many clubs and groups throughout the year. Greg Suter, Milton Parlour, Chris Bodey, Bill Duncanson, Pat Robertson, Steffi Morris and our newest members Ann Cunningham and Brooke Love, who all come with good business and community resumes, I thank you all for another good year and I look forward to working with you all again.

Some highlights

- Rural Bank day at Camperdown with Jane Bunn and Glenn Manton
- Two new referral agencies
- New Branch Manager
- Purchased Company Vehicle
- Involvement with "Ice Challenge"
- Cobden / Port Fairy Football Netball Clubs Trophy

Chairman's report (continued)

Our committed staff, with our Manager Lauren Hester, and staff members, Dianne Van Heusden, Margaret McMaster, Wendy Bateman, Vicki Fitzgerald, Sharon Savage, Sally Mahony, and Lesa Best have, and will, continue to grow our business. I thank them for their work, dedication, and 'can do' attitude towards our company. We need to also thank them for their volunteer time that they provide to the community via the company committees they serve on and the community functions they attend. Our staff make it more than just another bank. Our staff and Board owe an enormous amount to State Bendigo Bank staff with Tim Rodda and his team. Also our regional partners, with our Regional Managers Kevin Hannam and Sue Tansey, our business banking Managers Brenton Morgan and our staff at Rural Bank. These people have been there when we needed them, have helped out before we asked and have been a great asset to our company.



James Green
Chairman

Manager's report

For year ending 30 June 2017

I feel very honoured to be given the opportunity as Business Development Manager to further the success of the Cobden & District **Community Bank**[®] Branch. The last five months have been a busy time of change and learning for the staff and myself and I feel confident this will lead us to further growth in the years to come.

In the next 12 months we hope to achieve the \$500,000 mark of donations, sponsorships and contributions to our local community since the **Community Bank**[®] company began in 2007. Some of our recent contributions include \$20,000 towards the new Cobden Gymnasium and \$4,000 towards the purchase of a mini bus for Merindah Lodge.

I am pleased to advise that the growth of the two branches, Cobden and Camperdown, now totals \$136 million with a holding of 3,994 accounts.

I wish to acknowledge our hardworking staff Margaret McMaster, Dianne Van Heusden, Wendy Bateman and Sharon Savage of the Cobden **Community Bank**[®] Branch and Lesa Best, Sally Mahony and Vicki Fitzgerald of the Camperdown branch. Their dedication in providing the highest level of customer service shows through the wonderful feedback received from customers.

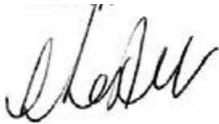
Thank you to the team in the Regional office in Geelong, led by Sue Tansey and Kevin Hannam. The support and guidance we receive is exceptional.

Thank you also to our Business Banking Manager Brenton Morgan, and also special mention to our Rural Bank team for assisting our customers. Rural Bank and Rural Finance went through a merger this year which has strengthened our rural partnership. We have a number of local rural managers in the area that would love to work with you.

To our dedicated Board members led by our Chairman James Green, thank you for volunteering your time to ensure the future success of the two branches in our communities.

The Bendigo and Adelaide Bank has a wide range of products and services and these continue to evolve as the banking environment changes. I urge you to consider us as your first point of call next time you are in the market for an account, loan, insurance or travel products as we are very competitive.

The **Community Bank**[®] concept is a very rewarding one and if you haven't seen the recent 'Be the Change' advertising from the Bendigo and Adelaide Bank then do yourself a favour and lookup bendigobank.com.au/bethechange to see the real change your banking can make in your local community.



Lauren Hester
Business Development 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.

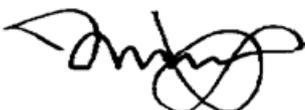
Representing us all at a recent forum at Canberra's Parliament House, Bendigo Bank's Managing Director and Chairman reinforced the significance of the **Community Bank**[®] model's achievements and called for regulatory change that would help us compete in a crowded and ever-evolving banking sector. 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

Sponsorship and contribution

List of community organisations that the **Community Bank**[®] company has provided a community investment to date.

2006 to June 2016

1st Cobden Scout Group	Cobden Aero Club	Heytesbury Indoor Bias Bowls Assoc.
Advance Camperdown	Cobden Airport Committee of Management	Lismore Primary School
Ban the Bulb Project	Cobden Amateur Angling Club Inc.	Mercy Regional College
Beacon Newsletter	Cobden Art Club (CDHS)	Nirranda Football Netball Club Inc.
Bookar Cricket Club	Cobden Bowling Club	Noorat Agricultural Society
Camperdown Ambulance aux.	Cobden District Health Services	Port Campbell Surf Life Saving Club
Camperdown Angling Club	Cobden District Pony Club	Port Campbell Police
Camperdown Bowling Club	Cobden Fire Brigade	Port Campbell Progress Group
Camperdown College	Cobden Football Netball Club	Progressing Cobden Inc.
Camperdown Community House	Cobden Golf Club Inc.	Probus Club of Camperdown
Camperdown Community Stadium	Cobden Junior Football Club	Probus Club of Cobden
Camperdown Cruise Inc.	Cobden Men's Shed	Relay for Life
Camperdown Cycling Club	Cobden Playgroup	Rotary Club of Camperdown
Camperdown Fire Brigade	Cobden Primary School	Rotary Club of Cobden
Camperdown Football Netball Club	Cobden Recreation Reserve	Shine for life Church
Camperdown Girl Guides	Cobden Safety House Committee	Simpson & District Community Centre
Camperdown Golf Bowls Club	Cobden Squash Club	Simpson Indoor Bias Bowls Club
Camperdown Lions Club	Cobden Swimming and Life-Saving Club	Simpson Football Netball Club
Camperdown Playgroup Inc.	Cobden Technical School	Simpson Kindergarten
Camperdown Pre-School Assoc.	Cobden Play Group	Skipton & District Camp draft Club
Camperdown Timboon Rail Trail Committee	Cobden Quota	South West Cricket Association
Camperdown P & A Society	Cooinda Terang	South West Kart Club
Camperdown, Cobden and Terang Police	Corangamite Junior Hockey Association	South Western District Restoration Group
Camperdown SES	Corangamite Model Aircraft Club	Southwest Healthcare Camperdown
Camperdown Theatre Co. Ltd	Corangamite Shire	South West Cricket Association
Camperdown Toy Library	Corangamite Sportsmen's Club Inc.	St Patricks School
Camperdown Traders Night	Derrinallum College	Uniting Church in Camperdown
Cancer Council Vic	Derrinallum Yacht & Power Boat Club	Variety Club of Victoria
Cobden & District Health Services	Hampden Tennis Association	YMCA
Cobden & District Kindergarten	Heytesbury Agricultural Society	Yachting Western Victoria
Cobden & District Historical Society		
Cobden & District Pony Club		

Sponsorship and contribution (continued)

July 2016 to June 2017

Progressing Cobden	Camperdown & District Community House
South West Cricket	Pomorneit Fire Brigade
Cobden Health	Cobden Bowling Club
Corangamite Sportsman's Club	Camperdown Girl Guides
Cobden Art Group	South West Health Care
Camperdown FNC	Camperdown Probus
Cobden Golf Club	Advance Camperdown
Weerite Public Hall	Camperdown Little Athletics
Cobden & District Pony Club	Camperdown Golf Bowls Club
Cobden Recreation Reserve	Camperdown Golf Club
Cobden Rotary	Corangamite U3A
Cobden FNC	Westvic Dairy
Camperdown Lions	Cobrico Hall
Cobden Civic Hall	
Camperdown P&A Society	
Camperdown & District Historical Society	
Camperdown Garden Club	
Camperdown Preschool	

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:

James Alfred Green

Chairman

Occupation: Managing Director GreenCon Australia Pty Ltd

Qualifications, experience and expertise: Bachelor of Engineering, GAICD, MIEA. Current board member Hampden Football Netball League Inc, Port Campbell Surf Life Saving Club Inc. Past President APEX Victoria, Cobden Football Netball Club Inc and Cobden Safety House

Special responsibilities: Chairman

Interest in shares: 1,001

Gary Kenneth Kimber

Deputy Chairman

Occupation: Retired

Qualifications, experience and expertise: Bachelor of Education. Retired School Principal/Teacher. Current President of Rotary Club of Cobden and Corangamite U3A. Volunteer at Cobden Information Centre.

Special responsibilities: Deputy Chairman, Community Investment Committee, Staff & Director Liaison

Interest in shares: 1,000

Simon Charles Buccheri

Treasurer

Occupation: Finance Manager

Qualifications, experience and expertise: Bachelor of Business, Certified Practising Accountant. Current President of CPA Australia Western District Branch, Current Treasurer of Tuniversal Music Group.

Special responsibilities: Chair of the Finance Committee

Interest in shares: NIL

Margaret Emily McDonald

Secretary

Occupation: Retired

Qualifications, experience and expertise: Legal Conveyancing Clerk for 30 years.

Special responsibilities: Community Investment Committee, Low Volume Market, Share Registry

Interest in shares: 1,001

Milton John Parlour

Director

Occupation: Real Estate Agent

Qualifications, experience and expertise: Co-Convenor of Progressing Cobden and a member of all sub-committees. Current representative of the Cobden Civic Hall Committee of Management and the Corangamite Shire's Reference Group. Current Member of Cobden Business Network.

Special responsibilities: Finance Committee

Interest in shares: 2,001

Directors' report (continued)

Directors (continued)

Gregory Leigh Suter

Director

Occupation: Self Employed Cabinet Maker

Qualifications, experience and expertise: Current Member of the Cobden Business Network, Progressing Cobden and Cobden Primary School Council.

Special responsibilities: Business Development Committee

Interest in shares: 1

Christopher Raymond Bodey

Director

Occupation: Farmer

Qualifications, experience and expertise: Past CFA Captain and member of Cobden Airport Committee of Management. Past President United Dairyfarmers of Victoria Branch. Past Cobden Technical School Councillor.

Special responsibilities: Business Development Committee

Interest in shares: 1,000

Norman William Duncanson

Director

Occupation: Retired

Qualifications, experience and expertise: Diploma of Food Technology. Qualified Food Safety Auditor. Cert IV Industry Training & Assessment. Current National Treasurer of Lions Eye Health Australia, Trustee of Lions District Charitable Trust Fund, Chairman Camperdown Uniting Church Council, Life Member of Lions Club International.

Special responsibilities: Community Investment Committee, Business Development Committee

Interest in shares: 500

Steffi Brigit Morris

Director

Occupation: Business Owner

Qualifications, experience and expertise: Bachelor of Social Work (1st Class Honours). Current Member of Leadership Committee of the Cobden Business Network.

Special responsibilities: Business Development Committee

Interest in shares: NIL

Ann Lucia Cunnigham

Director (Appointed 09 Nov 2016)

Occupation: Lawyer

Qualifications, experience and expertise: Bachelor of Arts/Law. Past President of Camperdown Playgroup Inc. Member of Camperdown Play space Committee.

Special responsibilities: Business Development Committee

Interest in shares: NIL

Directors' report (continued)

Directors (continued)

Patricia Jean Robertson

Director (Appointed 09 Nov 2016)

Occupation: Retired

Qualifications, experience and expertise: Past Mayor and Councillor of Town of Camperdown. Current President of Rotary Club of Camperdown. Current Member and Past Chairman of Mt Leura and Mt Sugarloaf Committee of Management. Current Chairman of Camperdown - Timboon Rail Trail Committee. Past District Governor of Rotary International.

Special responsibilities: Community Investment Committee

Interest in shares: NIL

Brooke Love

Director (Appointed 09 Nov 2016)

Occupation: Director of Works & Services, Corangamite Shire Council

Qualifications, experience and expertise: Bachelor of Applied Science and Physical Education. 20 years experience in facility management in the Aquatic & Recreation Industry.

Special responsibilities: Innovations Committee

Interest in shares: NIL

Rodney Peter Giblett

Director (Resigned 09 Nov 2016)

Occupation: Retired

Qualifications, experience and expertise: 30 years of experience in Banking, 20 years as a Manager.

Special responsibilities: Community Investment Committee

Interest in shares: NIL

Robert Raymond Fleming

Director (Resigned 09 Nov 2016)

Occupation: Retired

Qualifications, experience and expertise: Current Member of Camperdown Lions club. Life Member Camperdown APEX Club. Current President of Advance Camperdown.

Special responsibilities: Community Investment 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.

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

Company Secretary

The company secretary is Margaret McDonald. She was appointed to the position of secretary on 19 November 2008.

Qualifications, experience and expertise: Legal Conveyancing Clerk for 30 years.

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 franchised branches of Bendigo and Adelaide Bank Limited.

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

Directors' report (continued)

Operating results

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

Year ended 30 June 2017 \$	Year ended 30 June 2016 \$
56,192	30,398

Dividends

	Year ended 30 June 2017	
	Cents	\$
Dividends paid in the year:	2.00	14,500

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 19 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' report (continued)

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended									
			Finance		Human Resources		Community Investment		Business Development		Innovations	
	A	B	A	B	A	B	A	B	A	B	A	B
James Alfred Green #	12	9	12	6	12	2	12	2	12	1	4	2
Margaret Emily McDonald	12	9	-	-	-	-	7	2	-	-	-	-
Norman William Duncanson	12	11	-	-	7	3	6	6	4	2	-	-
Gregory Leigh Suter	12	9	9	2	-	-	-	-	-	-	4	4
Milton John Parlour	12	9	12	12	-	-	12	12	4	2	-	-
Gary Kenneth Kimber	12	9	-	-	12	9	9	8	-	-	1	1
Christopher Raymond Bodey	12	12	-	-	-	-	6	1	12	11	-	-
Steffi Brigit Morris	12	10	-	-	-	-	-	-	12	3	-	-
Simon Charles Buccheri^	5	2	5	5	-	-	-	-	-	-	-	-
Brooke Love*	7	5	-	-	-	-	-	-	-	-	4	4
Ann Lucia Cunningham*	7	4	-	-	-	-	-	-	7	3	-	-
Patricia Jean Robertson*	7	7	-	-	-	-	7	6	-	-	-	-
Rodney Peter Giblett**	5	5	-	-	-	-	5	4	-	-	-	-
Robert Raymond Fleming**	5	3	-	-	-	-	5	2	5	5	-	-

A eligible to attend

B number attended

* (Appointed 09 Nov 2016)

** (Resigned 09 Nov 2016)

^ On leave February 2016 to February 2017

Chairman is eligible to attend all sub-committee meetings however the chairman attends sub-committee meetings on an as needs basis.

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.

Directors' report (continued)

Non audit services (continued)

The board of directors has considered the position, in accordance with the advice received from the finance committee 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 finance committee 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 15.

Signed in accordance with a resolution of the board of directors at Cobden, Victoria on 25 August 2017.



**James Alfred Green,
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 Cobden & Districts Community Finance Limited

As lead auditor for the audit of Cobden & Districts Community Finance 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.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 25 August 2017

A handwritten signature in black ink, appearing to read 'David Hutchings'.

David Hutchings
Lead Auditor

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	803,844	789,768
Employee benefits expense		(422,742)	(395,846)
Charitable donations, sponsorship, advertising and promotion		(69,004)	(93,516)
Occupancy and associated costs		(36,866)	(35,783)
Systems costs		(33,408)	(35,632)
Depreciation and amortisation expense	5	(35,295)	(33,856)
Finance costs	5	(13,662)	(19,658)
General administration expenses		(103,324)	(130,965)
Profit before income tax expense		89,543	44,512
Income tax expense	6	(33,351)	(14,114)
Profit after income tax expense		56,192	30,398
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		56,192	30,398
Earnings per share		¢	¢
Basic earnings per share	22	7.75	4.19

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2017

	Notes	2017 \$	2016 \$
ASSETS			
Current Assets			
Trade and other receivables	7	78,585	64,940
Total Current Assets		78,585	64,940
Non-Current Assets			
Property, plant and equipment	8	391,933	384,451
Intangible assets	9	54,225	70,781
Deferred tax asset	10	177,908	211,259
Total Non-Current Assets		624,066	666,491
Total Assets		702,651	731,431
LIABILITIES			
Current Liabilities			
Trade and other payables	11	79,243	55,268
Borrowings	12	68,966	57,940
Provisions	13	39,942	43,475
Total Current Liabilities		188,151	156,683
Non-Current Liabilities			
Trade and other payables	11	29,824	44,735
Borrowings	12	288,681	370,000
Provisions	13	3,589	9,299
Total Non-Current Liabilities		322,094	424,034
Total Liabilities		510,245	580,717
Net Assets		192,406	150,714
Equity			
Issued capital	14	698,455	698,455
Accumulated losses	15	(506,049)	(547,741)
Total Equity		192,406	150,714

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015	698,455	(563,639)	134,816
Total comprehensive income for the year	-	30,398	30,398
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(14,500)	(14,500)
Balance at 30 June 2016	698,455	(547,741)	150,714
Balance at 1 July 2016	698,455	(547,741)	150,714
Total comprehensive income for the year	-	56,192	56,192
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(14,500)	(14,500)
Balance at 30 June 2017	698,455	(506,049)	192,406

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		865,572	867,617
Payments to suppliers and employees		(725,983)	(762,957)
Interest paid		(13,662)	(19,658)
Net cash provided by operating activities	16	125,927	85,002
Cash flows from investing activities			
Payments for property, plant and equipment		(26,222)	-
Payments for intangible assets		(14,912)	-
Net cash used in investing activities		(41,134)	-
Cash flows from financing activities			
Proceeds from borrowings		24,831	-
Repayment of borrowings		(100,000)	(100,050)
Dividends paid		(14,500)	(14,500)
Net cash used in financing activities		(89,669)	(114,550)
Net decrease in cash held		(4,876)	(29,548)
Cash and cash equivalents at the beginning of the financial year		(57,940)	(28,392)
Cash and cash equivalents at the end of the financial year	12a	(62,816)	(57,940)

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 lease 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 Cobden & Camperdown.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

The 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.

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.

Notes to the financial statements (continued)

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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

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

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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

Current and deferred tax for the period

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

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:

- buildings 40 years
- leasehold improvements 40 years
- plant and equipment 2.5 - 40 years
- furniture and fittings 4 - 40 years
- motor vehicles 3-5 years

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

l) Leases (continued)

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

m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or 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.

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Notes to the financial statements (continued)

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.

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- services commissions	659,145	621,270
- fee income	69,699	68,498
- market development fund	75,000	100,000
Total revenue from operating activities	803,844	789,768

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment & motor vehicles	5,596	1,941
- leasehold improvements	10,858	11,746
- buildings	2,284	2,284
Amortisation of non-current assets:		
- franchise agreement	5,260	6,314
- franchise renewal fee	11,297	11,571
	35,295	33,856
Finance costs:		
- interest paid	13,662	19,658

Note 6. Income tax expense

The components of tax expense comprise:

- Movement in deferred tax	1,442	809
- Adjustment to deferred tax to reflect change to tax rate in future periods	7,097	-
- Recoupment of prior year tax losses	24,812	13,305
	33,351	14,114

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows

Operating profit	89,543	44,512
Prima facie tax on profit from ordinary activities at 27.5% (2016: 28.5%)	24,624	12,686
Add tax effect of:		
- non-deductible expenses	1,314	1,428
- timing difference expenses	(1,126)	(809)
	24,812	13,305

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 6. Income tax expense (continued)		
Movement in deferred tax	1,442	809
Adjustment to deferred tax to reflect change of tax rate in future periods	7,097	-
	33,351	14,114

Note 7. Trade and other receivables

Trade receivables	62,488	43,693
Prepayments	16,097	21,247
	78,585	64,940

Note 8. Property, plant and equipment

Land and buildings

Freehold land

At cost	49,252	49,252
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Buildings

At cost	91,366	91,366
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Less accumulated depreciation	(12,928)	(10,644)
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	78,438	80,722
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Leasehold improvements

At cost	318,358	318,358
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Less accumulated depreciation	(104,667)	(93,809)
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	213,691	224,549
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Plant and equipment

At cost	55,152	52,889
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Less accumulated depreciation	(27,165)	(22,961)
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	27,987	29,928
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Motor vehicles

At cost	23,956	-
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Less accumulated depreciation	(1,391)	-
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	22,565	-
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Total written down amount	391,933	384,451
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Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 8. Property, plant and equipment (continued)		
Movements in carrying amounts:		
Land		
Carrying amount at beginning	49,252	49,252
Carrying amount at end	49,252	49,252
Buildings		
Carrying amount at beginning	80,722	83,006
Less: depreciation expense	(2,284)	(2,284)
Carrying amount at end	78,438	80,722
Leasehold improvements		
Carrying amount at beginning	224,549	236,295
Less: depreciation expense	(10,858)	(11,746)
Carrying amount at end	213,691	224,549
Plant and equipment		
Carrying amount at beginning	29,928	31,869
Additions	2,264	-
Less: depreciation expense	(4,205)	(1,941)
Carrying amount at end	27,987	29,928
Motor vehicles		
Additions	23,956	-
Less: depreciation expense	(1,391)	-
Carrying amount at end	22,565	-
Total written down amount	391,933	384,451

Note 9. Intangible assets

Franchise fee		
At cost	52,867	52,867
Less: accumulated amortisation	(43,829)	(38,570)
	9,038	14,297
Renewal processing fee		
At cost	114,337	114,337
Less: accumulated amortisation	(69,150)	(57,853)
	45,187	56,484
Total written down amount	54,225	70,781

Notes to the financial statements (continued)

	Note	2017 \$	2016 \$
Note 10. Tax			
Non-Current:			
Deferred tax assets			
- employee provisions		11,971	15,041
- tax losses carried forward		170,364	202,274
		182,335	217,315
Deferred tax liability			
- deductible prepayments		4,427	6,056
		4,427	6,056
Net deferred tax asset		177,908	211,259
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income		33,351	14,114

Note 11. Trade and other payables

Current:			
Trade creditors		51,248	35,580
Other creditors and accruals		27,995	19,688
		79,243	55,268
Non-Current:			
Other creditors and accruals		29,824	44,735
		29,824	44,735

Note 12. Borrowings

Current:			
Bank overdrafts		62,477	57,940
Equipment Loan	17	6,149	-
Business Card		340	-
		68,966	57,940
Non-Current:			
Equipment Loan	17	18,681	-
Bank loans		270,000	370,000
		288,681	370,000

Notes to the financial statements (continued)

Note 12. Borrowings (continued)

The bank overdraft has an approved limit of \$100,000 and attracts an interest rate of 3.705% (2016: 4.285%) per agreement with Bendigo and Adelaide Bank Limited. The overdraft is secured by a fixed floating charge over the company's assets.

The equipment loan is fixed for a term of 60 months commencing March 2017. The loan is secured by a fixed charge over the vehicle 2016 Holden CG Captiva Active Wagon

The bank loan matured on 16th March 2017 and was rolled over for another five years interest. Interest is now recognised at an average rate of 3.705% (2016: 4.285%). The loan is secured by a fixed charge over the property at 151 Mainofld Street, Cameprdown.

	2017	2016
	\$	\$
Note 12a. 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:		
Bank Overdraft	(62,477)	(57,940)
Business Credit Card	(339)	-
	(62,816)	(57,940)

Note 13. Provisions

Current:

Provision for annual leave	21,903	20,322
Provision for long service leave	18,039	23,153
	39,942	43,475

Non-Current:

Provision for long service leave	3,589	9,299
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Note 14. Contributed equity

725,012 ordinary shares fully paid (2016: 725,012)	725,012	725,012
Less: equity raising expenses	(26,557)	(26,557)
	698,455	698,455

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.

Notes to the financial statements (continued)

Note 14. Contributed equity (continued)

Rights attached to shares (continued)

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 (see below).

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 302. As at the date of this report, the company had 325 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.

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 15. Accumulated losses		
Balance at the beginning of the financial year	(547,741)	(563,639)
Net profit from ordinary activities after income tax	56,192	30,398
Dividends paid or provided for	(14,500)	(14,500)
Balance at the end of the financial year	(506,049)	(547,741)

Note 16. Statement of cash flows

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

Profit from ordinary activities after income tax	56,192	30,398
Non cash items:		
- depreciation	18,738	15,971
- amortisation	16,557	17,885
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(13,645)	(5,424)
- (increase)/decrease in other assets	33,351	14,114
- increase/(decrease) in payables	22,693	9,200
- increase/(decrease) in provisions	(7,959)	2,858
Net cash flows provided by operating activities	125,927	85,002

Note 17. Leases

Operating lease commitments

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

Payable - minimum lease payments:

- not later than 12 months	16,093	15,701
- between 12 months and 5 years	48,279	62,805
- greater than 5 years	-	-
	64,372	78,506

The operating lease is a non-cancellable lease with a five year-term, with rent payable monthly in advance.

Notes to the financial statements (continued)

	2017	2016
	\$	\$
Note 18. Auditor's remuneration		
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	5,300	5,100
- other non audit services	430	290
	5,730	5,390

Note 19. Director and related party disclosures

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

James Alfred Green
Margaret Emily McDonald
Norman William Duncanson
Gregory Leigh Suter
Milton John Parlour
Gary Kenneth Kimber
Christopher Raymond Bodey
Steffi Brigit Morris
Simon Charles Buccheri
Brooke Love (Appointed 09 Nov 2016)
Ann Lucia Cunningham (Appointed 09 Nov 2016)
Patricia Jean Robertson (Appointed 09 Nov 2016)
Rodney Peter Giblett (Retired 09 Nov 2016)
Robert Raymond Fleming (Retired 09 Nov 2016)

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

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2017	2016
	\$	\$
Transactions with related parties:		
James Green is a Managing Director of GreenCon Australia Pty Ltd who supplied and installed a mirror at the Camperdown Branch.	369	-
Christopher Bodey provided embroidery services.	100	-

Notes to the financial statements (continued)

Note 19. Director and related party disclosures (continued)

	2017	2016
Directors' Shareholdings		
James Alfred Green	1,001	3,001
Margaret Emily McDonald	1,001	1,001
Norman William Duncanson	500	-
Gregory Leigh Suter	1	1
Milton John Parlour	2,001	2,001
Gary Kenneth Kimber	-	-
Christopher Raymond Bodey	1,000	1,000
Steffi Brigit Morris	-	-
Simon Charles Buccheri	-	-
Brooke Love (Appointed 09 Nov 2016)	-	-
Ann Lucia Cunningham (Appointed 09 Nov 2016)	-	-
Patricia Jean Robertson (Appointed 09 Nov 2016)	-	-
Rodney Peter Giblett (Retired 09 Nov 2016)	-	-
Robert Raymond Fleming (Retired 09 Nov 2016)	-	-

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

	2017 \$	2016 \$
Note 20. Dividends paid or provided		
a. Dividends paid during the year		
Current year dividend		
100% (2016: 100%) unfranked dividend -2 cents (2016: 2 cents) per share	14,500	14,500

Note 21. Key management personnel disclosures

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

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

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 22. Earnings per share		
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	56,192	30,398

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	725,012	725,012

Note 23. Events occurring after the reporting date

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

Note 24. Contingent liabilities and contingent assets

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

Note 25. Segment reporting

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

Note 26. Registered office/Principal place of business

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

Registered Office

37 Curdie Street
COBDEN VIC 3266

Principal Place of Business

37 Curdie Street
COBDEN VIC 3266

Notes to the financial statements (continued)

Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 %	2016 %
Financial assets												
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	0.00	0.00
Receivables	-	-	-	-	-	-	-	-	62,488	43,693	N/A	N/A
Financial liabilities												
Interest bearing liabilities	68,966	57,940	288,681	370,000	-	-	-	-	-	-	3.66	4.37
Payables	-	-	-	-	-	-	-	-	51,248	35,580	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

Notes to the financial statements (continued)

Note 27. Financial instruments (continued)

Sensitivity Analysis (continued)

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

	2017	2016
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	-3,576	-4,279
Decrease in interest rate by 1%	3,576	4,279
Change in equity		
Increase in interest rate by 1%	-3,576	-4,279
Decrease in interest rate by 1%	3,576	4,279

Directors' declaration

In accordance with a resolution of the directors of Cobden & District Community Finance 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.



James Alfred Green,
Chairman

Signed on the 25th of August 2017.

Independent audit report



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 Cobden & Districts Community Finance Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Cobden & Districts Community Finance Limited is in accordance with the *Corporations Act 2001*, including:

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

What we have audited

Cobden & Districts Community Finance Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

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Independent audit report (continued)

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: 25 August 2017



David Hutchings
Lead Auditor

Cobden & Districts **Community Bank**[®] Branch
37 Curdie Street, Cobden VIC 3266
Phone: (03) 5595 1191 Fax: (03) 5595 1149
www.bendigobank.com.au/cobden

Camperdown branch
151 Manifold Street, Camperdown VIC 3260
Phone: (03) 5593 2434 Fax: (03) 5593 2460
www.bendigobank.com.au/camperdown

Franchisee: Cobden & Districts Community Finance Limited
37 Curdie Street, Cobden VIC 3266
Phone: (03) 5595 1191 Fax: (03) 5595 1149
ABN: 84 117 781 049

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