Annual Report 2017

Collie & Districts Community Financial Services Limited

ABN 76 096 536 355

Collie & Districts **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2017

After another successful year at the Collie & Districts **Community Bank**® Branch I would like to thank the shareholders and customers that have supported us. The banking industry is a hard area to work in at the moment, so it is great to see the level of support from all involved.

We are constantly trying to grow the business and have successfully partnered with the Boyup Brook Community Resource Centre to open a new agency in their building at Boyup Brook. The work CRC, Collie & Districts **Community Bank**® Branch and Bendigo's Bank staff have done over the last year and a half to get this agency up and running is a credit to all involved.

I once asked the question to another **Community Bank**® company's Chairperson that had a successful agency, "How did you make it work?" The answer was short and simply, make sure you get them involved. That is one of the reasons that it is great to have our newest Board member from that area, Maureen Piper. Maureen lives and works in the Boyup Brook area and is also on the Board of the Boyup Brook CRC so has been a great help throughout the setup of the agency. Thanks for joining our Board Maureen.

The reason we had a vacancy on the Board was because of the retirement of Neil Martin, Neil I believe is one of the main reason we have **Community Bank**® branch in the first place. His foresight and drive at the beginning along with the inaugural Board was the reason we are successful today. Thank you Neil for your help and your continuing support.

When I am at a Chair's meeting or conference and explain to other **Community Bank**® company Board Directors that the management roles on our Board are filled with some of the newest members of the Board, they are amazed. Our Board's succession planning encourages Executive roles to be rotated among the Directors giving more experience and confidence. All Directors put forward ideas without judgement and are supported by the whole Board. Thank you for your support, ideas and hard work over the past year.

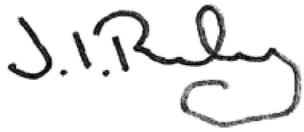
Looking forward, we have a very busy year coming up and have over $1 million set aside for upcoming projects. We are hoping to use this as leverage to inspire bigger and better things for our community and surrounding areas. Some examples of what we will be supporting are;

1. Collie to Donnybrook Cycle Race - We have suggested that this event is turned into a two-day event to encourage people to stay and look around. The Cycle Club have taken on board this idea and are working very hard to get this happening.
2. We will be supporting the Collie Art Gallery as they look to have a major art award for the Collie area with people from all over Australia entering and visiting the Gallery.
3. Working with other groups to set up a chapel for the area.
4. Helping some groups try and win the opportunity to host the Tom Quilty Cup in 2020 in Collie. This is a major horse endurance event, only held in WA every seven years and attracts competitors and spectators Australia wide and overseas. They would arrive in town a week before the event to set up and have the opportunity to look around Collie and what we have to offer for visitors to our town.
5. Our youth will again be attending the Magic Moments Summit youth camp and we will be increasing our scholarships to include TAFE students this year, hoping to inspire the next generation of leaders if not for our community, for whatever community they choose to be a part of.
6. Operation Next Gen is an Entrepreneurship Program run by Kerry Anderson and will be over the next two years with groups of young people working on ideas to encourage business enterprises to invest in our community.

Chairman's report (continued)

7. Then there is the ongoing support for aged care, mental health and general wellbeing of our community, this is the area that is so hard to comprehend at times but requires so much work.

Last but not least to our Manager and branch staff, our agency's and Bendigo Bank staff, thank you for your help and support over the year.



Jeffrey Riley
Chairman

Manager's report

For year ending 30 June 2017

The end of the 2016/17 financial year has shown the continued success of the **Community Bank**® model in Collie and districts. This year we have increased overall growth on 2015/16 financial year achieving $12.384 million or 6.8% growth with a total book of just over $194.7 million as at 30 June 2017. We fell short of achieving our growth target for 2016/17 which was $17.5 million in a challenging market however the following areas have all recorded an increase on last years results. Our customer numbers have increased by 6.11% to 4,758, account numbers were up 4.94% to 6,881 and insurance sales were up 24% to 134 policies.

This financial year has seen our staff structure remain unchanged with our team of Danelle Pelliciari, Felicity Nelson, Kira Bebbington, Kristy Harker, Jody Bignell, Sharon Delfante, Darcy Gibbs, Sue Tomasini and Nicole Gesue. We are constantly adapting to the changes around us to ensure that we are able to grow our business whilst providing great customer service to our existing customer base.

Our agencies in Boyup Brook, who opened on 15 June 2016 and West Arthur agency have continued to grow. We are now the only banking service in Boyup Brook after Commonwealth Bank closed their doors in June 2017. With banking services evolving, we too need to evolve. In saying that, I feel that it should be the customer's choice to determine how they interact with their bank. They should have their channel of choice be it face-to-face, pick up the phone and talk to your local branch or online.

Thank you to our business partners Bendigo Bank. Rachael Cronin, Area Manager and Anne-Marie Archer, Regional Community Manager together with our Specialists from Business Banking, Rural Bank, Financial Planning, State Support staff, Branch Managers in the South Coast region for their assistance throughout the year.

We have continued our substantial investment back into Collie and surrounding districts. Some of our contributions for this financial year include $150,000 towards the Bendigo Bank Music Shell, BiliBed for the Maternity ward at Collie District Hospital, PCYC Safe Sanctuary and thousands of dollars towards sporting and community groups. Keeping in mind that it is not always the dollar value of the contributions but the impact or outcomes for our community. Sending students to Magic Moments Leadership Summit was again money well spent. Those students come back so inspired to achieve whatever they dream of. Our staff volunteered at Telethon Kids Carnival this year, which saw us travel to Perth and donate our time to make the overall day a success. Telethon has always been a huge event in Western Australia so it was great to be a part of it!

A key part of our ongoing success is our shareholders. We again held a Sundowner at the Collie Art Gallery to thank them for their initial investment. With your continued support we will grow and our community will be the greatest beneficiary. This why it is so important that we spread the **Community Bank**® message at every opportunity that may arise. Bendigo Bank, is Australia's fifth largest bank and we are in a unique position. Banking is an everyday function for every single person in the community. The difference with the **Community Bank**® model is that every time people bank with their local **Community Bank**® branch, the bottom line increases and as such, community contributions and dividends increase as well.

In closing I would like to thank our staff, our customers, our Board of Directors and our shareholders for their ongoing support.

Narelle Michalak - Branch Manager
Collie & Districts Community Bank® Branch

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:

Jeffrey Ian Riley

Chairperson

Occupation: Self-employed

Qualifications, experience and expertise: Jeff has lived in Collie all of his life and has spent most of the last 40 years working as a carpenter. Jeff is self-employed running a project consultant and carpentry business at present with his wife. Jeff lives on a small family farm just out of Collie and he loves the Collie lifestyle (the bush and the river).

Special responsibilities: Human Resources, Finance, Scholarship and Premises Committees

Interest in shares: 500

Sarah Jane Stanley

Vice Chairperson

Occupation: Consultant

Qualifications, experience and expertise: Primary consultant for Gumfire Marketing, Councillor for the Shire of Collie, Shire representative for Collie River Valley Marketing Inc., Townscape Advisory Committee, Trails Planning Advisory Committee and Policy Committee, Committee member for Collie Gallery Group Inc., Collie Radio Control Club Inc. and Collie Visitor Centre. Previous experience includes director of Collie Art Gallery, internal communications and community relations for Worsley Alumina and Bechtel.

Special responsibilities: Marketing & Community Development Committee

Interest in shares: Nil

Anne-Marie Kathryn Farrell

Director

Occupation: Manager/Business Owner

Qualifications, experience and expertise: Manager at Collie Motorplex, Owner and Instructor of Alert Driving, Treasurer of Collie Golf Club. Previously employed by South 32 Worsley Alumina Pty Ltd for 24 years. Life member of Collie Netball Association and Collie Ladies Dart Association.

Special responsibilities: Human Resources and Finance Committees

Interest in shares: 3,000

Colleen Maree De'Angelis

Treasurer

Occupation: Small Business Owner / Bookkeeper

Qualifications, experience and expertise: Business owner of Hairdressing Salon for 27 years. Bookkeeper to two small businesses. Life member of the Collie Netball Assoc and Collie Basketball Assoc. Involved in coaching and development with Collie Netball Assoc and umpire within the Association. Playing member of both netball and basketball. Lived in Collie for over 30 years.

Special responsibilities: Finance and Scholarship Committees

Interest in shares: 100

Directors (continued)

Ian Houghton Miffling

Director

Occupation: Retired

Qualifications, experience and expertise: Former Chief Executive Officer of the Shire of Collie, Justice of the Peace, Collie Shire Councillor, Board Secretary of The Coal Miners Welfare Board of WA. Member of Worsley Alumina Community Liaison Committee. Member of Griffin Coal Community Reference Board. Secretary of the North Collie Hall Management Group.

Special responsibilities: Marketing & Community Development and Scholarship Committees

Interest in shares: 1,001

Glyn Yates

Director

Occupation: Company Director

Qualifications, experience and expertise: Deputy Shire President, President Collie Chamber of Commerce & Industry Inc., Past Chair Collie & Districts Community Financial Services Limited, Past Chair Geographe Bay Community Enterprises Ltd, National Chair & WA representative on **Community Bank®** National Council, Chairman Country Housing Authority, Chairman Keystart Loans. Tertiary qualifications in Forestry, business proprietor & director 25 years, Business interests in forestry, land management, farming, commercial property. Graduate Australian Institute of Company Directors.

Other Directorships: Geographe Bay Community Enterprises Ltd, Evergem Pty Ltd, G & R Yates Super Fund Pty Ltd, WFM Pty Ltd, Keystart Loans Ltd, Keystart Bonds Ltd, Keystart Support Pty Ltd, Keystart Support (Subsidiary) Pty Ltd, Keystart Scheme Mgmt Pty Ltd

Special responsibilities: Human Resources and Finance Committees

Interest in shares: 5,000

Kenneth William Smallwood

Director

Occupation: Retired

Qualifications, experience and expertise: Ex-Chief Engineer UK Merchant Navy, emigrated to WA from Scotland in 1983. Worked in the Power Generation industry in WA, SE Asia and Singapore for over 24 years, in various positions in both operations and maintenance. Former Treasurer of Collie & Districts **Community Bank®** Branch.

Special responsibilities: Human Resources, Marketing & Community Development Committees

Interest in shares: 20,000

John Alfred Piavanini

Director

Occupation: Company Director / Business Owner

Qualifications, experience and expertise: Business proprietor selling new and used earthmover parts as well as rental and farming properties. Collie Shire Councillor for 15 years, past Member of the Board of Collie Chamber of Commerce and Industry and a former Board Member of the Bunbury Wellington Economic Alliance. Vice President of Collie Vintage Tractor Club. President of Collie Vintage Car Club.

Special responsibilities: Chair Marketing & Community Development Committee

Interest in shares: 2,501

Directors (continued)

Ian Johnstone Shannon

Director

Occupation: Self Employed

Qualifications, experience and expertise: 3 years hardware assistant. 17 years mine worker. 20 years present occupation.

Special responsibilities: Marketing & Community Development and Premises Committees

Interest in shares: 2,500

Maureen Jane Piper

Director (Appointed 27 March 2017)

Occupation: Accountant

Qualifications, experience and expertise: Bachelor of Commerce Curtin University. Partner in IPG Advisors. Committee Member Boyup Brook Community Resource Centre. Ladies President Boyup Brook Golf Club.

Special responsibilities: Nil

Interest in shares: 4,000

Neil Richard Martin

Director (Resigned 4 November 2016)

Occupation: Farmer

Qualifications, experience and expertise: Associate Diploma in Valuation, Certificate in Real Estate Management. Has been involved in Real Estate for 34 years. Business proprietor and Rotarian for over 18 years. Past Collie Rotary Club president. He is currently a councillor with the Shire of Collie and Chairman/Director of Riverview Residence Inc Board.

Special responsibilities: Marketing, Community Development and Human Resources Committees

Interest in shares: 2,501

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 Anne-Marie Farrell. Anne was appointed to the position of secretary on 23 November 2015.

Qualifications, experience and expertise: Anne is the owner & instructor at Alert Driving. Is a life member of Collie Netball Association has worked at BHP Billiton Worsley Alumina Pty Ltd for 23 years.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2017 $	Year ended 30 June 2016 $
122,305	71,661

Dividends

	Year ended 30 June 2017	
	Cents	**$**
Dividends paid in the year	25.10	107,995

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended													
			Finance		Human Resources		Marketing & Sponsorship		Premise		Scholarship		Community Development	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Jeffrey Ian Riley	14	14	2	2	5	5	-	-	2	2	2	2	-	-
Sarah Jane Stanley	14	14	-	-	-	-	11	11	-	-	-	-	-	-
Anne-Marie Kathryn Farrell	14	9	2	2	5	5	-	-	-	-	-	-	1	1
Colleen Maree De'Angelis	14	13	2	2	-	-	-	-	-	-	2	2	-	-
Ian Houghton Miffling	14	13	-	-	-	-	11	10	-	-	2	2	1	1
Glyn Yates	14	14	2	2	5	5	-	-	-	-	-	-	-	-
Kenneth William Smallwood	14	13	-	-	5	5	11	10	-	-	-	-	1	1
John Alfred Piavanini	14	13	-	-	-	-	11	11	-	-	-	-	-	-
Ian Johnstone Shannon	14	10	-	-	-	-	11	10	-	-	-	-	-	-
Maureen Jane Piper*	5	4	-	-	-	-	-	-	2	2	-	-	-	-
Neil Richard Martin **	4	3	-	-	-	-	-	-	-	-	-	-	1	1

A - eligible to attend * - (Appointed 27 March 2017)
B - number attended ** - (Resigned 4 November 2016)

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.

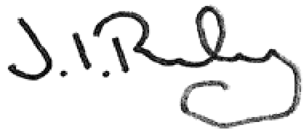
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed 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 Collie, Western Australia on 11 August 2017.



Jeffrey Ian Riley,
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 Collie & Districts Community Financial Services Limited

As lead auditor for the audit of Collie & Districts Community 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: 11 August 2017

David Hutchings
Lead Auditor

Taxation | Audit | Business Services

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	1,653,806	1,641,938
Employee benefits expense		(650,501)	(624,536)
Charitable donations, sponsorship, advertising and promotion		(557,742)	(697,948)
Occupancy and associated costs		(41,394)	(30,875)
Systems costs		(23,573)	(24,117)
Depreciation and amortisation expense	5	(44,487)	(41,239)
Finance costs	5	(2,447)	(2,945)
General administration expenses		(164,965)	(116,501)
Profit before income tax expense		**168,697**	**103,777**
Income tax expense	6	(46,392)	(32,116)
Profit after income tax expense		**122,305**	**71,661**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**122,305**	**71,661**

Earnings per share		**¢**	**¢**
Basic earnings per share	23	28.43	16.66

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	46,263	50,089
Trade and other receivables	8	163,624	165,632
Current tax asset	11	-	44,273
Total Current Assets		**209,887**	**259,994**
Non-Current Assets			
Property, plant and equipment	9	750,108	606,612
Intangible assets	10	48,499	58,687
Deferred tax asset	11	13,552	21,232
Total Non-Current Assets		**812,159**	**686,531**
Total Assets		**1,022,046**	**946,525**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	161,559	96,599
Current tax liabilities	11	38,712	-
Borrowings	13	21	7,377
Provisions	14	60,422	72,384
Total Current Liabilities		**260,714**	**176,360**
Non-Current Liabilities			
Borrowings	13	-	29,859
Provisions	14	13,058	6,342
Total Non-Current Liabilities		**13,058**	**36,201**
Total Liabilities		**273,772**	**212,561**
Net Assets		**748,274**	**733,964**
Equity			
Issued capital	15	430,259	430,259
Retained earnings	16	318,015	303,705
Total Equity		**748,274**	**733,964**

The accompanying notes form part of these financial statements.

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

	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2015	**430,259**	**328,852**	**759,111**
Total comprehensive income for the year	-	71,661	71,661
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(96,808)	(96,808)
Balance at 30 June 2016	**430,259**	**303,705**	**733,964**
Balance at 1 July 2016	**430,259**	**303,705**	**733,964**
Total comprehensive income for the year	-	122,305	122,305
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(107,995)	(107,995)
Balance at 30 June 2017	**430,259**	**318,015**	**748,274**

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		1,825,400	1,794,478
Payments to suppliers and employees		(1,626,586)	(1,644,181)
Interest received		1,635	3,636
Interest paid		(2,447)	(2,945)
Income taxes paid		44,273	(18,946)
Net cash provided by operating activities	**17**	**242,275**	**132,042**
Cash flows from investing activities			
Payments for property, plant and equipment		(44,930)	(43,212)
Payments for intangible assets		(55,961)	-
Net cash used in investing activities		**(100,891)**	**(43,212)**
Cash flows from financing activities			
Proceeds from borrowings		-	3,456
Repayment of borrowings		(37,215)	-
Dividends paid		(107,995)	(96,808)
Net cash used in financing activities		**(145,210)**	**(93,352)**
Net decrease in cash held		**(3,826)**	**(4,522)**
Cash and cash equivalents at the beginning of the financial year		50,089	54,611
Cash and cash equivalents at the end of the financial year	**7(a)**	**46,263**	**50,089**

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.

<u>Compliance with IFRS</u>

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

<u>Critical accounting estimates</u>

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.

<u>Historical cost convention</u>

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.

<u>Comparative figures</u>

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 any lease(s) to be capitalised.

<u>Economic dependency - Bendigo and Adelaide Bank Limited</u>

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

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

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

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

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

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

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

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

b) Revenue

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

Revenue calculation

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

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

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:

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

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.

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.

<u>Taxation</u>

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.

Note 3. Critical accounting estimates and judgements (continued)

Taxation (continued)

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

	2017 $	2016 $
Operating activities:		
- gross margin	1,324,539	1,209,563
- services commissions	171,068	225,440
- fee income	120,996	129,844
- market development fund	10,000	50,000
Total revenue from operating activities	**1,626,603**	**1,614,847**
Non-operating activities:		
- interest received	1,635	3,636
- rental revenue	25,568	23,455
Total revenue from non-operating activities	**27,203**	**27,091**
Total revenues from ordinary activities	**1,653,806**	**1,641,938**

Note 5. Expenses

	2017 $	2016 $
Depreciation of non-current assets:		
- plant and equipment	3,755	4,452
- leasehold improvements	14,317	10,583
- buildings	8,986	8,986
- motor vehicle	7,241	7,218
Amortisation of non-current assets:		
- franchise agreement	4,219	10,000
- franchise renewal fee	5,969	-
	44,487	**41,239**
Finance costs:		
- interest paid	**2,447**	**2,945**
Bad debts	**704**	**400**
Loss on disposal of asset	**4,455**	**4,322**

Note 6. Income tax expense

	2017 $	2016 $
The components of tax expense comprise:		
- Current tax	38,712	24,430
- Future income tax benefit attributable to losses	-	(3,499)
- Movement in deferred tax	7,680	9,778
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	772
- Under/(Over) provision of tax in the prior period	-	635
	46,392	**32,116**

	2017 $	2016 $

Note 6. Income tax expense (continued)

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

	2017 $	2016 $
Operating profit	168,697	103,777
Prima facie tax on profit from ordinary activities at 27.5% (2016: 28.5%)	46,391	29,576
Add tax effect of:		
- non-deductible expenses	1,225	1,232
- timing difference expenses	(8,407)	3,400
- other deductible expenses	(497)	-
	38,712	**34,208**
Movement in deferred tax	7,680	(3,499)
Adjustment to deferred tax to reflect change of tax rate in future periods	-	635
Under/(Over) provision of income tax in the prior year	-	772
	46,392	**32,116**

Note 7. Cash and cash equivalents

	2017 $	2016 $
Cash at bank and on hand	**46,263**	**50,089**

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:

	2017 $	2016 $
Cash at bank and on hand	**46,263**	**50,089**

Note 8. Trade and other receivables

	2017 $	2016 $
Trade receivables	136,499	144,405
Prepayments	14,519	21,227
Other receivables and accruals	12,606	-
	163,624	**165,632**

Note 9. Property, plant and equipment

	2017 $	2016 $
Land and buildings		
Freehold land		
At cost	200,000	200,000
Buildings		
At cost	359,421	359,421
Less accumulated depreciation	(50,313)	(41,327)
	309,108	**318,094**

	2017 $	2016 $

Note 9. Property, plant and equipment (continued)

	2017 $	2016 $
Leasehold improvements		
At cost	223,079	263,051
Less accumulated depreciation	(22,881)	(209,861)
	200,198	**53,190**
Plant and equipment		
At cost	45,997	31,592
Less accumulated depreciation	(30,044)	(28,354)
	15,953	**3,238**
Motor vehicles		
At cost	38,617	38,617
Less accumulated depreciation	(13,768)	(6,527)
	24,849	**32,090**
Total written down amount	**750,108**	**606,612**
Movements in carrying amounts:		
Land		
Carrying amount at beginning	200,000	200,000
Carrying amount at end	**200,000**	**200,000**
Buildings		
Carrying amount at beginning	318,094	327,080
Additions	-	-
Disposals	-	-
Less: depreciation expense	(8,986)	(8,986)
Carrying amount at end	**309,108**	**318,094**
Leasehold improvements		
Carrying amount at beginning	53,189	37,758
Additions	165,781	26,014
Disposals	(4,455)	-
Less: depreciation expense	(14,317)	(10,583)
Carrying amount at end	**200,198**	**53,189**
Plant and equipment		
Carrying amount at beginning	3,239	6,382
Additions	16,469	1,309
Disposals	-	-
Less: depreciation expense	(3,755)	(4,452)
Carrying amount at end	**15,953**	**3,239**

	2017 $	2016 $

Note 9. Property, plant and equipment (continued)

Motor vehicles		
Carrying amount at beginning	32,090	27,740
Additions	-	38,617
Disposals	-	(27,049)
Less: depreciation expense	(7,241)	(7,218)
Carrying amount at end	**24,849**	**32,090**
Total written down amount	**750,108**	**606,612**

Note 10. Intangible assets

Franchise fee		
At cost	61,192	61,192
Less: accumulated amortisation	(51,493)	(47,274)
	9,699	**13,918**
Renewal processing fee		
At cost	44,769	44,769
Less: accumulated amortisation	(5,969)	-
	38,800	**44,769**
Total written down amount	**48,499**	**58,687**

Note 11. Tax

Current:		
Income tax payable/(refundable)	**38,712**	**(44,273)**
Non-Current:		
Deferred tax assets		
- accruals	715	944
- employee provisions	20,207	21,650
	20,922	**22,594**
Deferred tax liability		
- property, plant and equipment	7,370	1,362
	7,370	**1,362**
Net deferred tax asset	**13,552**	**21,232**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**7,680**	**7,686**

	Note	2017 $	2016 $

Note 12. Trade and other payables

Current:			
Trade creditors		152,503	75,728
Other creditors and accruals		9,056	20,871
		161,559	**96,599**

Note 13. Borrowings

Current:			
Chattel mortgage	18	-	6,497
Bank loans		21	880
		21	**7,377**
Non-Current:			
Chattel mortgage	**18**	**-**	**29,859**

Bank loans are repayable monthly. All outstanding bank loans have been paid in advance and no immediate monthly instalments are required.
The chattel mortgage was paid out on 26 May 2017. Interest is recognised on the chattel mortgage at an average rate of 5.85%. The loans are secured by a fixed and floating charge over the company's assets.

Note 14. Provisions

Current:			
Provision for annual leave		37,388	43,781
Provision for long service leave		23,034	28,603
		60,422	**72,384**
Non-Current:			
Provision for long service leave		**13,058**	**6,342**

Note 15. Contributed equity

430,259 ordinary shares fully paid (2016: 430,259)		**430,259**	**430,259**

Rights attached to shares

(a) Voting rights

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

Note 15. Contributed equity (continued)

Rights attached to shares (continued)

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

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

(b) Dividends

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

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 16. Retained earnings

	2017 $	2016 $
Balance at the beginning of the financial year	303,705	328,852
Net profit from ordinary activities after income tax	122,305	71,661
Dividends paid or provided for	(107,995)	(96,808)
Balance at the end of the financial year	**318,015**	**303,705**

Note 17. Statement of cash flows

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

	2017 $	2016 $
Profit from ordinary activities after income tax	122,305	71,661
Non cash items:		
- depreciation	34,299	31,239
- amortisation	10,188	10,000
- loss on disposal of asset	4,455	4,322
Changes in assets and liabilities:		
- (increase)/decrease in receivables	2,009	(22,709)
- (increase)/decrease in other assets	(29,407)	13,170
- increase/(decrease) in payables	64,960	6,937
- increase/(decrease) in provisions	(5,246)	17,422
- increase/(decrease) in current tax liabilities	38,712	-
Net cash flows provided by operating activities	**242,275**	**132,042**

Note 18. Leases

Finance lease commitments

	2017 $	2016 $
Payable - minimum lease payments:		
- not later than 12 months	-	8,084
- between 12 months and 5 years	-	31,795
- greater than 5 years	-	-
Minimum lease payments	**-**	**39,879**
Less future finance charges	-	(3,523)
Present value of minimum lease payments	**-**	**36,356**

The finance lease of $44,306, was paid out on 26 May 2017.
Interest was recognised at an average rate of 5.85% (2016: 5.85%).

	2017 $	2016 $

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	3,295	3,430
	7,495	**7,530**

Note 20. Director and related party disclosures

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

Jeffrey Ian Riley
Sarah Jane Stanley
Anne-Marie Kathryn Farrell
Colleen Maree De'Angelis
Ian Houghton Miffling
Glyn Yates
Kenneth William Smallwood
John Alfred Piavanini
Ian Johnstone Shannon
Maureen Jane Piper (Appointed 27 March 2017)
Neil Richard Martin (Resigned 4 November 2016)

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

	2017	2016
Directors' Shareholdings		
Jeffrey Ian Riley	500	-
Sarah Jane Stanley	-	-
Anne-Marie Kathryn Farrell	3,000	2,000
Colleen Maree De'Angelis	100	100
Ian Houghton Miffling	1,001	1,001
Glyn Yates	5,000	5,000
Kenneth William Smallwood	20,000	20,000
John Alfred Piavanini	2,501	2,501
Ian Johnstone Shannon	2,500	2,500
Maureen Jane Piper (Appointed 27 March 2017)	4,000	-
Neil Richard Martin (Resigned 4 November 2016)	2,501	2,501

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

	2017 $	2016 $

Note 21. Dividends paid or provided

	2017 $	2016 $
a. Dividends paid during the year		
Current year dividend		
100% (2016: 100%) franked dividend - 25.1 cents (2016: 22.5 cents) per share	**107,995**	**96,808**
The tax rate at which dividends have been franked is 27.5% (2016: 30%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	324,018	359,498
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	38,712	(44,273)
- 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:	**362,730**	**315,225**
- 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	**362,730**	**315,225**

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.

	2017 $	2016 $

Note 23. Earnings per share

	2017 $	2016 $
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	122,305	71,661

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	430,259	430,259

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

Estimates of the potential financial effect of commitments which may become payable are as follows:

The Company has entered into a funding agreement with Collie Art Gallery Group to contribute $50,000 to the organisation in 2018. As at 30 June 2017, no payments have been made.

The Company has entered into a funding agreement with Tom Quilty Cup to contribute $20,000 to the organisation in 2020. As at 30 June 2017, no payments have been made.

The Company has entered into a funding agreement with Next Gen Entrepreneur to contribute $100,000 to the organisation over the next two years. As at 30 June 2017, one $10,000 payment has been paid.

All of the above commitments are payable as follows:

2018	$95,000
2019	$45,000
2020	$20,000

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

Note 26. Community Enterprise Foundation™

During the period the company contributed funds to the Community Enterprise Foundation™ (CEF), the philanthropic arm of the Bendigo and Adelaide Bank Group. These contributions form part of charitable donations and sponsorship expenditure included in the Statement of Profit or Loss and Other Comprehensive Income.

The funds contributed are held by the CEF in trust on behalf of the company and are available for distribution as grants to eligible applicants. The balance of funds held by the CEF as at 30 June 2017 is as follows:

	2017 $	**2016 $**
Opening balance	1,091,776	957,661
Contributions	409,091	386,363
Grants paid	(300,273)	(253,507)
Interest	19,267	20,575
Management fees	(20,452)	(19,316)
Balance available for distribution	**1,199,409**	**1,091,776**

Note 27. Segment reporting

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

Note 28. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
70 Forrest Street	70 Forrest Street
Collie WA 6225	Collie WA 6225

Note 29. 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	46,263	50,089	-	-	-	-	-	-	-	-	0.60	2.60
Receivables	-	-	-	-	-	-	-	-	136,499	144,405	N/A	N/A
Financial liabilities												
Interest bearing liabilities	21	880	-	6,497	-	29,859	-	-	-	-	8.54	7.55
Payables	-	-	-	-	-	-	-	-	152,503	75,728	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.

Note 29. Financial instruments (continued)

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%	462	129
Decrease in interest rate by 1%	(462)	(129)
Change in equity		
Increase in interest rate by 1%	462	129
Decrease in interest rate by 1%	(462)	(129)

Directors' declaration

In accordance with a resolution of the directors of Collie & Districts Community 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.

Jeffrey Ian Riley,
Chairman

Signed on the 11th 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 Collie & Districts Community Financial Services Limited

Report on the audit of the financial statements

Our opinion
In our opinion, the financial report of Collie & Districts Community 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
Collie & Districts Community Financial Services Limited's (the company) financial report comprises the:

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

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

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

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

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

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 11 August 2017

David Hutchings
Lead Auditor

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