Annual Report 2017

Corangamite Financial Services Limited

ABN 80 105 703 099

Anglesea & District **Community Bank**® Branch
Winchelsea & District **Community Bank**® Branch

Contents

Chairman’s report

For year ending 30 June 2017

I have much pleasure in presenting the Chairman’s report for 2017.

As previously stated, the Board had concerns as to whether the business could continue its strong growth pattern that it has produced, since the **Community Bank**® company’s inception 14 years ago in November 2013.

Compared to many other **Community Bank**® branches our business covers a large area with a relatively small population base. This, combined with the new ‘Profit Share’ arrangements structured by our partner Bendigo Bank, required a committed and focused approach by the Board and staff to achieve our growth goals.

The results for this challenging period has not only shown that the business achieved the growth budgeted for, but actually surpassed it. Coincidentally, the growth budget is not a conservative estimate as it sets a projected target which is a challenge for all concerned to meet, and to reach this outcome it requires greater flexibility and an innovative approach by the Board, working under strict governance guidelines and strong collaboration with our staff.

Since our **Community Bank**® branch opened, Senior Branch Manager Jeremy Morris has been the main driver in reaching the above targets. His passion, work ethic, business acumen and approachability create a great conduit between the Board, Management, staff and customers.

We are also extremely fortunate that our staff convey the same passion and have a great understanding of the **Community Bank**® model and the positive affect it has on the communities they work in.

On behalf of the Board, shareholders and customers we thank our ‘banking team’, including the Lorne agency Manager Dee Stewart, for their continual efforts in growing and strengthening the business. This has assisted in establishing a foundation to support the next entity in our business, a branch in Lorne. Bendigo Bank has recently supported our application to establish a small branch within our existing business office in Lorne which we hope to open in December 2017. We will be able to perform full banking transactions and services at the new Lorne branch which will be manned by our existing staff and is another exciting chapter in our company’s journey which will further benefit Lorne and our broader community.

We acknowledge the recent retirement of one of our original staff members, Dianne Meesen and thank her for her contribution and dedication over the past 13.5 years.

To our Bendigo Bank liaison team led by Regional Community Manager Kevin Hannam and Regional Manager Sue Tansey, I thank them for their advice, ‘hands on’ approach and the support they provide to both our staff and the Board. We look forward to continued collaboration and support of this relationship into the future for the mutual benefit of Bendigo Bank and your **Community Bank**® branch.

I would like to thank the Board, both on a personal and business level for their support, dedication, time and drive to continue the success of the business. The culture and approach by the Board has been achieved by creative leadership from our three former Chairs – Ken McDonald, John Tebbutt and Vaughan Lamb and the continued workability of the Board which continues to remain a strong focus for us.

There are certainly new challenges arising for the banking industry which we aim to meet as explained previously. We are currently undertaking a review of a new three-year Strategic Plan after successfully achieving all out objectives from our last five-year plan, one year earlier than projected.

Highlights for this year:

- Meeting budget guidelines;
- Reaching the magical figure of $300 million in banking business;
- Community Investment returns to local community groups of $1.7 million;
- Investment of $230,000 for future community investment;
- Nomination for the Bendigo Bank **Community Bank**® Hall of Fame.

Chairman's report (continued)

To conclude, I would like to thank personally and on behalf of the Board and staff, our Executive Assistant Sue Lubcke for her untiring effort in both time and ability to continue to keep an ever growing organisation in order. A job very well done.

To our shareholders, we thank you for your continued support in what has been a 'great' ride. From the strength of that support, not only do we run a successful business but also achieve fantastic outcomes for the communities we live in.

May this continue!

John Knuckey
Chairman

Senior Manager's report

For year ending 30 June 2017

I am pleased to present the Senior Manager's report for what has been a very successful 2016/17 financial year in many areas.

On the business front, we exceeded our annual growth target by $4 million with a total business growth of $27 million. This was an increase of 9.5% to take our total holdings past $300 million, which is a tremendous achievement for a business of our age and size. We exceeded most of our other KPI's including the strongest insurance results we've ever achieved.

Business retention was again a big focus for us, as debt reduction with loan repayment amortisation continuing at a rapid rate. The introduction of a new Lending Package rewarding our customers with lower interest rates and fee reductions for the more banking and insurance that they do with us, has resulted in hundreds of outbound calls and a complete review to assist our customers to achieve their financial goals.

We celebrated achieving this business milestone at the Modewarre Football and Netball Club with about approximately 80 **Community Bank**® company shareholders along with past and present staff and Directors. The Modewarre Football and Netball Club have been great advocates of our **Community Bank**® branch, referring many of their players and supporters to the bank and have been recipients of return funding from us. To show their gratitude the Modewarre Football and Netball Club approached the Surfcoast Shire and successfully had their ground renamed as the **Community Bank**® Oval.

On the financial front, we achieved an operating profit of $170,000 following community investment greater than $100,000, plus a further $230,000 set aside for future community investment – which is held in reserve in our Community Enterprise Foundation™ holdings. We also continued for the sixth consecutive year, a 6 cent fully franked dividend back to you, our shareholders.

On the staffing front, one of original staff members Dianne Meesen announced her retirement. Di was one of our founding staff members who opened our Winchelsea **Community Bank**® Branch in November 2003. We also had our longstanding Winchelsea **Community Bank**® Branch Manager, Rosemary Gillett relocate back to Bendigo Bank in Geelong, after leading our Winchelsea team for nearly eight years. My sincere thanks go out to both Di and Rosie for their commitment and contributions toward our business and community.

Rosie's departure followed that of Anglesea **Community Bank**® Branch Manager Shane Madden at the turn of last financial year (as announced in 2015/16 Annual Report) and led to a complete review of the staffing structure to better position ourselves for the future, with the ever evolving banking environment. This resulted in an upgrade to nearly all existing staff positions and a more 'fluid' approach, with many of our staff rotating between our sites. This re-structure has also seen two new members join our team - Alana Stevens and Shannyn McInnes. Both Alana and Shannyn are local people who are new to the banking industry, but are keen and enthusiastic and already proving they will be assets to our team.

Our Management team consisting of Assistant Branch Manager Matilda Trounson, Customer Relationship Managers Julie Dunkley and Dean Hackwill, Business Development Manager Rob Cameron and I, make a very complimentary team with varying skills and experience. I'm very proud of the way we have engaged with the new and existing customer base, and the positive leadership that has been portrayed by our staffing team with a vastly evolving banking environment and staffing restructure. Our entire team have adapted really well and I would like to thank them all for their continuing support and contribution to what continues to be a fantastic journey of business and community successes.

Senior Manager's report (continued)

Once again we were able to support more than 50 local groups and organisations with contributions totalling more than $120,000. In addition to this we set aside a further $230,000 for future projects, so effectively we allocated over $350,000 back to your local communities as a result of the banking business achievements in the 2016/17 financial year. This brings our total returns back into the community to over $1.7 million which is a huge credit to our customers, staff and volunteer **Community Bank**® company Directors.

After the completion of the vast majority of the actions and objectives contained within our 2013 – 2018 Strategic Vision, your **Community Bank**® company Board and Management team recently commenced a new review of our business, which will develop into a business plan for the forthcoming three years and beyond. I would like to highlight the passion and the hundreds of voluntary hours that your **Community Bank**® company Directors dedicate to the running and growth of this company. Four of our Directors, John Knuckey, Ken McDonald, John Tebbutt and Robert (Charlie) Earl were on the Steering Committee to establish the **Community Bank**® company nearly 15 years ago. They have dedicated 1000's of voluntary hours to the **Community Bank**® company for no other gain other than the betterment of your community. Working with these gentlemen and our other Directors Pamela Sandlant, Raylene Fordham, Robyn Irwin and Vaughan Lamb is a real inspiration and I sincerely thank them for the differences that they have made to our communities. Also, I'd like to make a special mention of thanks to Director Michael McConnell who retired mid-year, after nine and a half years of service.

I would like to thank all our staff – Josie McDonald, Sally Dyer, Natasha Skurka, Kim Schwarze, Bec Young, Kelly Turner, Jenna Robinson, Alana Stevens, Shannyn McInnes and our Management team for another successful year. Thank you to another staff member, who has been with us since year one Sue Lubcke. Sue is our Executive Assistant who does all the organising and support behind the scenes which makes the company appear to run seamlessly from the outside. Sue supports both the Board and staff which is invaluable.

I remain confident that the ongoing commitment and dedication of our staff and Directors will result in continuing outcomes for our customers and therefore continued growth of our business and returns to our community and stakeholders.

Jeremy Morris
Senior Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2017

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

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

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

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

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

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

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

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

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

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

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

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

Robert Musgrove
Executive Engagement Innovation

Directors’ report

For the financial year ended 30 June 2017

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

Directors

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

John McKenzie Knuckey

Chair

Occupation: Business Proprietor – Engineering

Qualifications, experience and expertise: Self employed in the agricultural retail and manufacturing industry for 40 years. Past executive of local sporting clubs. Long time local resident.

Special responsibilities: Assets and Finance Committee, Executive Committee

Interest in shares: 4,700

Vaughan Mervyn Lamb

Deputy Chair

Occupation: Legal Practitioner

Qualifications, experience and expertise: Currently consultant to Coulter Roache Lawyers with qualification in B.A/LLB, previously Principal from 2003 to 2015. Practicing lawyer for nearly 40 years. Former Chairman and board member Bethany Family Support, former board member Grace McKellar Centre, Kalkee and Geelong Disabled Peoples Industries.

Special responsibilities: Executive member and Deputy Chair

Interest in shares: Nil

John Hubert Tebbutt

Deputy Chair

Director

Occupation: Retired Barrister at Law

Qualifications, experience and expertise: Barrister at Law for 43 years. Licenced Legal Practitioner and Accredited Mediator (Bond University). Past President of the Torquay Golf Club. Part time Farmer.

Special responsibilities: Governance, HR Committee, Executive Committee, Strategic Committee and Business Planning

Interest in shares: Nil

Robert John Earl

Director

Occupation: Civil Contractor

Qualifications, experience and expertise: Qualified Diesel Fitter and holds a Diploma of Occupational Health and Safety. Managed own business and staff since May 1988, ten years in heavy construction and mining. Former president of the Civil Contractors Federation for ten years, founding member of the Winchelsea Tourist and Traders, former member of the SES and Landcare and former mentor at the Winchelsea Primary School.

Special responsibilities: Marketing and Community Investment Committee

Interest in shares: 28,200

Directors (continued)

Kenneth Ian McDonald
Director
Occupation: Real Estate Agent/Grain Consultant
Qualifications, experience and expertise: Self employed Real Estate Agent/Grain Consultant. Long time local resident and community volunteer.
Special responsibilities: Finance Committee
Interest in shares: 1,800

Robyn Gaye Erwin
Director
Occupation: Small Business Owner
Qualifications, experience and expertise: Small business owner. Former Business Development Manager at Geelong Performing Arts Centre. Former Sales and Marketing Manager at All Seasons Hotels.
Special responsibilities: Chair of Marketing & Community Investment Committee
Interest in shares: Nil

Pamela Margaret Sandlant
Director
Occupation: School Principal
Qualifications, experience and expertise: Diploma of Teaching, Bachelor of Education. Teacher and School Principal 40 years (Management and Education). Director of family business (Farming). Account management, various community involvement in sporting groups and voluntary community groups. Member/minute secretary Committee of management of Anglesea Community House (14 years).
Special responsibilities: Governance Committee
Interest in shares: Nil

Raylene Margaret Fordham
Company Secretary
Occupation: Business Owner
Qualifications, experience and expertise: Managing Director of a national mystery shopping company. Executive Officer of the Anglesea Tourism and Traders Association. Business Owner of a local accommodation facility. Raylene is a goal-oriented professional with solid managerial and people skills. Highly organised and able to manage multiple tasks. Strong work ethic coupled with the deepest commitment to achieving successful outcomes. Highly adaptable to change. Decisive, possessing a keen understanding of commercial realities.
Special responsibilities: Company Secretary and Chair of the Governance Committee
Interest in shares: Nil

Michael Cole McConnell
Director (Resigned 29 May 2017)
Occupation: Retired Builder, Property Developer
Qualifications, experience and expertise: Builder and small property developer. Member of the Master Builders Association of Victoria. 50 years involvement with the Anglesea Surf Life Saving Club including life membership in 2002. Member of the Anglesea Tennis Club and Active Seniors Group.
Special responsibilities: Assets and Finance Committee
Interest in shares: 9,000

Directors (continued)

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 Raylene Margaret Fordham. Raylene was appointed to the position of secretary on 2 December 2015.

Raylene commenced her professional career as a sales assistant with Collins Booksellers in 1988, moving up to store manager and then multi-store manager. In 2000, she moved to America and worked for Commercial Real Estate Agents, Jones Lang LaSalle. She held several administrative roles and was Personal Assistant to the Vice President of the Western Region in the USA.

On return to Australia in 2003, Raylene took a position with Collins Booksellers as Victorian State Manager. In 2006, she purchased her own business - Retail Services (Aust) Pty Ltd, of which she is Managing Director. A year later, she purchased the Anglesea Backpackers with her business partner. She is currently the President of Anglesea's Trader Association, which also affords her a position on the Surf Coast Shires Tourism Reference Group.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2017 $	Year ended 30 June 2016 $
217,177	109,909

Dividends

	Year ended 30 June 2017	
	Cents	$
Dividends paid in the year	6	87,272

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							
			Marketing & Community Investment		Assets & Finance		Governance & Human Resources		Executive	
	A	B	A	B	A	B	A	B	A	B
John McKenzie Knuckey	12	10	2	2	4	4	2	1	14	14
Vaughan Mervyn Lamb	12	10	-	-	2	2	5	4	14	14
Robert John Earl	12	10	3	3	1	1	-	-	-	-
Kenneth Ian McDonald	12	12	-	-	4	4	-	-	-	-
John Hubert Tebbutt	12	8	-	-	-	-	6	4	13	11
Robyn Gaye Erwin	12	7	3	3	-	-	-	-	-	-
Pamela Margaret Sandlant	12	8	-	-	-	-	5	3	-	-
Raylene Margaret Fordham	12	12	-	-	-	-	5	5	3	3
Michael Cole McConnell*	11	10	-	-	3	3	-	-	-	-

A - eligible to attend
B - number attended

* Resigned 29 May 2017

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, 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 12.

Signed in accordance with a resolution of the board of directors at Winchelsea, Victoria on 22 September 2017.

John McKenzie Knuckey,
Chair

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 Corangamite Financial Services Limited

As lead auditor for the audit of Corangamite 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: 22 September 2017

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	2,221,459	2,134,888
Employee benefits expense		(1,054,069)	(1,057,769)
Charitable donations, sponsorship, advertising and promotion		(320,363)	(204,129)
Occupancy and associated costs		(171,253)	(176,021)
Systems costs		(111,304)	(113,422)
Depreciation and amortisation expense	5	(95,523)	(117,661)
Finance costs	5	(3,738)	(6,174)
General administration expenses		(294,771)	(291,595)
Profit before income tax expense		**170,438**	**168,117**
Income tax expense	6	(46,579)	(58,208)
Profit after income tax expense		**123,859**	**109,909**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation gain on land and buildings, net of tax		93,318	-
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**217,177**	**109,909**

Earnings per share		**¢**	**¢**
Basic earnings per share	26	8.72	7.73

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	264,311	149,153
Trade and other receivables	8	193,084	177,489
Current tax asset	12	3,215	-
Total Current Assets		**460,610**	**326,642**
Non-Current Assets			
Property, plant and equipment	9	1,153,484	1,056,452
Financial assets	10	-	39,343
Intangible assets	11	35,799	62,668
Deferred tax asset	12	-	31,638
Total Non-Current Assets		**1,189,283**	**1,190,101**
Total Assets		**1,649,893**	**1,516,743**
LIABILITIES			
Current Liabilities			
Trade and other payables	13	57,316	56,217
Current tax liabilities	12	-	23,472
Borrowings	14	81,370	24,832
Provisions	15	104,498	120,415
Total Current Liabilities		**243,184**	**224,936**
Non-Current Liabilities			
Borrowings	14	37,502	69,951
Provisions	15	7,730	6,514
Deferred tax liabilities	12	14,230	-
Total Non-Current Liabilities		**59,462**	**76,465**
Total Liabilities		**302,646**	**301,401**
Net Assets		**1,347,247**	**1,215,342**
Equity			
Issued capital	16	966,000	966,000
Reserves	17	111,818	18,500
Retained earnings	18	269,429	230,842
Total Equity		**1,347,247**	**1,215,342**

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 $	Reserves $	Total equity $
Balance at 1 July 2015	**966,000**	**18,500**	**206,205**	**1,190,705**
Total comprehensive income for the year	-	-	109,909	109,909
Transactions with owners in their capacity as owners:				
Shares issued during period	-	-	-	-
Costs of issuing shares	-	-	-	-
Dividends provided for or paid	-	-	(85,272)	(85,272)
Balance at 30 June 2016	**966,000**	**18,500**	**230,842**	**1,215,342**
Balance at 1 July 2016	**966,000**	**18,500**	**230,842**	**1,215,342**
Total comprehensive income for the year	-	93,318	123,859	217,177
Transactions with owners in their capacity as owners:				
Shares issued during period	-	-	-	-
Costs of issuing shares	-	-	-	-
Dividends provided for or paid	-	-	(85,272)	(85,272)
Balance at 30 June 2017	**966,000**	**111,818**	**269,429**	**1,347,247**

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		2,377,896	2,245,182
Payments to suppliers and employees		(2,143,730)	(1,976,591)
Interest received		-	132
Interest paid		(3,738)	(6,174)
Income taxes paid		(62,794)	(62,034)
Net cash provided by operating activities	**19**	**167,634**	**200,515**
Cash flows from investing activities			
Payments for property, plant and equipment		(3,320)	(89,230)
Proceeds from property, plant and equipment		25,909	-
Proceeds from financial assets		38,572	-
Net cash provided by/(used in) investing activities		**61,161**	**(89,230)**
Cash flows from financing activities			
Repayment of borrowings		(28,365)	(34,518)
Dividends paid		(85,272)	(85,272)
Net cash used in financing activities		**(113,637)**	**(119,790)**
Net increase/(decrease) in cash held		**115,158**	**(8,505)**
Cash and cash equivalents at the beginning of the financial year		149,153	157,658
Cash and cash equivalents at the end of the financial year	**7(a)**	**264,311**	**149,153**

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 the branch leases 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®** branches at Winchelsea and Anglesea, Victoria.

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 and assistance in relation to:

- 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.

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
- furniture and fittings 4 - 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) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Available-for-sale financial assets

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

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(iv) Financial liabilities

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

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

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.

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.

(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.

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.

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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.

Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

Note 4. Revenue from ordinary activities

	2017 $	**2016 $**
Operating activities:		
- gross margin	1,774,389	1,412,916
- services commissions	179,463	393,364
- fee income	197,771	207,467
- market development fund	37,500	100,000
Total revenue from operating activities	**2,189,123**	**2,113,747**
Non-operating activities:		
- interest received	-	132
- rental revenue	18,483	-
- increase in net market value of financial assets	-	20,143
- profit on sale of non-current assets	11,575	-
- other revenue	2,278	866
Total revenue from non-operating activities	**32,336**	**21,141**
Total revenues from ordinary activities	**2,221,459**	**2,134,888**

	2017 $	2016 $

Note 5. Expenses

	2017 $	2016 $
Depreciation of non-current assets:		
- buildings	19,643	19,528
- furniture and fittings	11,155	15,101
- leasehold improvements	10,627	7,652
- motor vehicles	27,230	28,512
Amortisation of non-current assets:		
- franchise fee	10,676	26,868
- renewal fee	16,192	20,000
	95,523	**117,661**
Finance costs:		
- interest paid	**3,738**	**6,174**
Bad debts	**1,375**	**2,635**
Loss on disposal of financial asset	**771**	**-**

Note 6. Income tax expense

	2017 $	2016 $
The components of tax expense comprise:		
- Current tax	36,107	60,987
- Movement in deferred tax	10,472	(3,929)
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	1,150
	46,579	**58,208**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	170,438	168,117
Prima facie tax on profit from ordinary activities at 27.5% (2016: 28.5%)	46,870	50,435
Add tax effect of:		
- non-deductible expenses	-	6,098
- timing difference expenses	(7,580)	4,454
- other deductible expenses	(3,183)	-
	36,107	**60,987**
Movement in deferred tax	10,472	(3,929)
Adjustment to deferred tax to reflect change of tax rate in future periods	-	1,150
	46,579	**58,208**

	Note	2017 $	2016 $

Note 7. Cash and cash equivalents

	Note	2017 $	2016 $
Cash at bank and on hand		160,627	149,153
Term deposits		103,684	-
		264,311	**149,153**
Note 7.(a) Reconciliation to cash flow statement			
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:			
Cash at bank and on hand		160,627	149,153
Term deposits		103,684	-
		264,311	**149,153**

Note 8. Trade and other receivables

	Note	2017 $	2016 $
Trade receivables		168,960	157,480
Prepayments		24,124	20,009
		193,084	**177,489**

Note 9. Property, plant and equipment

	Note	2017 $	2016 $
Land and buildings			
Freehold land			
At independent valuation	20	100,000	100,000
Buildings - Winchelsea			
At fair value		400,000	158,500
At cost		-	153,263
Less accumulated depreciation		-	(32,682)
	20	**400,000**	**279,081**
Total land and buildings		500,000	379,081
Fit out - Winchelsea			
At cost		288,839	285,989
Less accumulated depreciation		(50,519)	(38,670)
		238,320	**247,319**
Leasehold improvements			
At cost		284,328	283,858
Less accumulated depreciation		(41,138)	(30,511)
		243,190	**253,347**

	2017 $	2016 $

Note 9. Property, plant and equipment (continued)

	2017 $	2016 $
Plant and equipment		
At cost	13,377	13,377
Less accumulated depreciation	(13,377)	(13,377)
	-	**-**
Motor vehicles		
At cost	205,207	228,088
Less accumulated depreciation	(73,224)	(102,529)
	131,983	**125,559**
Furniture and fittings		
At cost	139,665	139,665
Less accumulated depreciation	(99,674)	(88,519)
	39,991	**51,146**
Total written down amount	**1,153,484**	**1,056,452**
Movements in carrying amounts:		
Land		
Carrying amount at beginning	100,000	100,000
Additions	-	-
Disposals	-	-
Less: depreciation expense	-	-
Carrying amount at end	**100,000**	**100,000**
Buildings - Winchelsea		
Carrying amount at beginning	279,080	286,867
Additions	-	-
Disposals	-	-
Revaluation increment	128,714	-
Less: depreciation expense	(7,794)	(7,787)
Carrying amount at end	**400,000**	**279,080**
Fit out - Winchelsea		
Carrying amount at beginning	247,320	259,061
Additions	2,850	-
Disposals	-	-
Less: depreciation expense	(11,850)	(11,741)
Carrying amount at end	**238,320**	**247,320**

	Note	2017 $	2016 $

Note 9. Property, plant and equipment (continued)

Leasehold improvements			
Carrying amount at beginning		253,347	173,678
Additions		470	87,321
Disposals		-	-
Less: depreciation expense		(10,627)	(7,652)
Carrying amount at end		**243,190**	**253,347**
Motor vehicles			
Carrying amount at beginning		125,559	154,071
Additions		47,987	-
Disposals		(14,333)	-
Less: depreciation expense		(27,230)	(28,512)
Carrying amount at end		**131,983**	**125,559**
Furniture and fittings			
Carrying amount at beginning		51,146	64,338
Additions		-	1,909
Disposals		-	-
Less: depreciation expense		(11,155)	(15,101)
Carrying amount at end		**39,991**	**51,146**
Total written down amount		**1,153,484**	**1,056,452**

The company's land and buildings at Winchelsea (excluding fit out) was independently valued during June 2017 by Hendrey Consulting Pty Ltd. The valuation resulted in an increment to the carrying amount of the buildings of $128,714 ($93,318 net of income tax), recognised as other comprehensive income in the Statement of Profit or Loss and Other Comprehensive Income.

Note 10. Financial Assets

Non-Current:

	Note	2017 $	2016 $
Available-for-sale financial assets			
Unlisted investments, at fair value:			
- shares in other corporations	**20**	**-**	**39,343**

Shares held in Bendigo Telco Limited were sold in May 2017.

	2017 $	2016 $

Note 11. Intangible assets

	2017 $	2016 $
Franchise fee		
At cost	158,323	158,323
Less: accumulated amortisation	(144,088)	(133,411)
	14,235	**24,912**
Renewal processing fee		
At cost	80,934	80,934
Less: accumulated amortisation	(59,370)	(43,178)
	21,564	**37,756**
Total written down amount	**35,799**	**62,668**

Note 12. Tax

	2017 $	2016 $
Current:		
Income tax payable/(refundable)	**(3,215)**	**23,472**
Non-Current:		
Deferred tax assets		
- accruals	743	715
- employee provisions	30,863	34,905
- tax losses carried forward	-	1,848
	31,606	**37,468**
Deferred tax liability		
- property, plant and equipment	45,836	-
- financial assets	-	5,830
	45,836	**5,830**
Net deferred tax asset/(liability)	**(14,230)**	**31,638**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**45,868**	**(2,779)**

Note 13. Trade and other payables

	2017 $	2016 $
Other creditors and accruals	**57,316**	**56,217**

	Note	2017 $	2016 $

Note 14. Borrowings

	Note	2017 $	2016 $
Current:			
Chattel mortgage:			
Vehicle loan		11,420	-
Bus loan		69,950	24,832
	21	**81,370**	**24,832**
Non-Current:			
Chattel mortgage:			
Vehicle loan		37,502	-
Bus loan		-	69,951
	21	**37,502**	**69,951**

The company financed one chattel mortgage during the period for two Captiva. The chattel mortgage is secured against the underlying financed motor vehicle. Repayments are currently $1,177.90 per month with the facility set to expire in February 2020.

The chattel mortgage for the Bus is secured against the underlying financed motor vehicle. Repayments are currently $2,283 per month with the facility set to expire in August 2017.

Note 15. Provisions

	2017 $	2016 $
Current:		
Provision for annual leave	50,573	57,516
Provision for long service leave	53,925	62,899
	104,498	**120,415**
Non-Current:		
Provision for long service leave	**7,730**	**6,514**

Note 16. Contributed equity

	2017 $	2016 $
1,421,200 ordinary shares fully paid (2016: 1,421,200)	**966,000**	**966,000**

A bonus share issue on a 4:5 basis (455,200 shares) was issued to all existing shareholders during 2007.

Rights attached to shares

(a) Voting rights

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

Note 16. 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").
- 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 303. As at the date of this report, the company had 472 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.

Note 16. Contributed equity (continued)

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.

	Note	2017 $	2016 $
Note 17. Reserves			
Asset revaluation reserve	**9**	**111,818**	**18,500**

Movement in the asset revaluation reserve during the period reflects the increment to the carrying amount of the company's buildings following an independent valuation in June 2017.

Note 18. Retained earnings

		2017 $	2016 $
Balance at the beginning of the financial year		230,842	206,205
Net profit from ordinary activities after income tax		123,859	109,909
Dividends paid or provided for		(85,272)	(85,272)
Balance at the end of the financial year		**269,429**	**230,842**

Note 19. 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		123,859	109,909
Non cash items:			
- depreciation		68,655	70,793
- amortisation		26,868	46,868
- increase in net market value of financial assets		-	(20,143)
- loss on disposal of financial assets		771	-
- profit on sale of asset		(11,575)	-
Changes in assets and liabilities:			
- (increase)/decrease in receivables		(15,595)	(35,190)
- (increase)/decrease in other assets		28,423	(2,779)
- increase/(decrease) in payables		5,567	5,536
- increase/(decrease) in provisions		(14,701)	26,570
- increase/(decrease) in current tax liabilities		(44,638)	(1,049)
Net cash flows provided by operating activities		**167,634**	**200,515**

Note 20. Fair value measurement

This section explains the judgements and estimates made in determining the fair values of the company's assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the applicable assets have been classified into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

At 30 June 2017	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements:				
Available-for-sale financial assets				
Unlisted investments:				
- shares in other corporations	-	-	-	-
	-	**-**	**-**	**-**
Property, Plant and Equipment				
Freehold land	-	100,000	-	100,000
Buildings	-	400,000	-	400,000
	-	**500,000**	**-**	**500,000**
Total assets at fair value	**-**	**500,000**	**-**	**500,000**

At 30 June 2016	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements:				
Available-for-sale financial assets				
Unlisted investments:				
- shares in other corporations	-	-	39,343	39,343
	-	**-**	**39,343**	**39,343**
Property, Plant and Equipment				
Freehold land	-	100,000	-	100,000
Buildings	-	158,500	-	158,500
	-	**258,500**	**-**	**258,500**
Total assets at fair value	**-**	**258,500**	**39,343**	**297,843**

There were no transfers between Level 1 and Level 2 during the reporting period. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

- Level 1: The fair value of available-for-sale financial assets traded in active markets is based on the quoted market price at the close of business at the end of the reporting period.
- Level 2: The fair value of property, plant and equipment is based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.
- Level 3: On 1 September 2016 Bendigo Telco Limited acquired all the shares of Vicwest by way of a scheme of arrangement between Vicwest and its shareholders. Under the terms of the scheme, Bendigo Telco Limited issued 1 share to Vicwest shareholders for every 2.074 Vicwest shares transferred to Bendigo Telco Limited. The financial asset was revalued based the company receiving 19,286 shares in Bendigo Telco Limited, valued at $2.04 as at 30 June 2016.

Note 21. Leases

	2017 $	2016 $
Chattel mortgage commitments		
Payable - minimum lease payments:		
- not later than 12 months	84,161	27,392
- between 12 months and 5 years	39,294	70,026
Minimum lease payments	**123,455**	**97,418**
Less future finance charges	(4,583)	(2,635)
Present value of minimum lease payments	**118,872**	**94,783**

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	119,121	113,770
- between 12 months and 5 years	372,362	465,080
- greater than 5 years	-	15,000
	491,483	**593,850**

The lease on the Anglesea branch property is a non-cancellable lease, commencing on 1 August 2010. The option for the first of three additional periods of five years each has been exercised and commenced on 1 July 2016 and will cease on 30 June 2021. A further two options of five year terms remain available. Annual rent is currently $74,120 (plus GST).

The lease on the Lorne office property is a non-cancellable lease, commencing on 30 October 2015. The initial term of the lease ceases on 30 October 2016, however the Board has resolved to exercise the option for the first of three further five year terms which ceases on 15 October 2021. Annual rent is currently $45,000 (plus GST).

Note 22. Auditor's remuneration

	2017 $	2016 $
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,600	4,100
- non audit services	3,473	3,790
	8,073	**7,890**

Notes to the financial statements (continued)

Note 23. Director and related party disclosures

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

John McKenzie Knuckey
Vaughan Mervyn Lamb
Robert John Earl
Kenneth Ian McDonald
John Hubert Tebbutt
Robyn Gaye Erwin
Pamela Margaret Sandlant
Raylene Margaret Fordham
Michael Cole McConnell (Resigned 29 May 2017)

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

	2017	2016
Directors' Shareholdings		
John McKenzie Knuckey	4,700	4,700
Vaughan Mervyn Lamb	-	-
Robert John Earl	28,200	15,600
Kenneth Ian McDonald	1,800	3,600
John Hubert Tebbutt	-	-
Robyn Gaye Erwin	-	-
Pamela Margaret Sandlant	-	-
Raylene Margaret Fordham	-	-
Michael Cole McConnell (Resigned 29 May 2017)	9,000	9,000

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

Note 24. Dividends paid or provided

	2017 $	2016 $
a. Dividends paid during the year		
Current year dividend		
100% (2016: 100%) franked dividend - 6 cents (2016: 6 cents) per share	**85,272**	**85,272**
The tax rate at which dividends have been franked is 27.5% (2016: 30%).		

	2017 $	2016 $

Note 24. Dividends paid or provided (continued)

b. Franking account balance

	2017 $	2016 $
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	245,763	215,313
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	(3,215)	23,472
- 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:	**242,548**	**238,785**
- 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	**242,548**	**238,785**

Note 25. Key management personnel disclosures

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

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

Community Bank® Directors' Privileges Package

The board has adopted the **Community Bank**® Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank**® branches at Winchelsea and Anglesea, Victoria. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders.

For the year ended 30 June 2017 there have been no benefits received by the Directors from the Directors Privilege Package.

Note 26. Earnings per share

	2017 $	2016 $
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	123,859	109,909

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,421,200	1,421,200

Notes to the financial statements (continued)

Note 27. 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 28. 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 29. Segment reporting

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

Note 30. 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
Corangamite Financial Services Ltd
11 Main Street,
Winchelsea VIC 3241

Principal Place of Business
Winchelsea **Community Bank**® Branch
11 Main Street,
Winchelsea VIC 3241

Anglesea **Community Bank**® Branch
97 Great Ocean Road,
Anglesea VIC 3230

Note 31. 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	160,256	149,013	103,684	-	-	-	-	-	371	140	Nil	0.07
Receivables	-	-	-	-	-	-	-	-	168,960	157,480	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	81,370	24,832	37,502	69,951	-	-	-	-	3.64	5.89
Payables	-	-	-	-	-	-	-	-	57,316	56,217	N/A	N/A

Note 31. Financial instruments (continued)

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2017 $	**2016 $**
Change in profit/(loss)		
Increase in interest rate by 1%	1,451	542
Decrease in interest rate by 1%	(1,451)	(542)
Change in equity		
Increase in interest rate by 1%	1,451	542
Decrease in interest rate by 1%	(1,451)	(542)

Directors' declaration

In accordance with a resolution of the directors of Corangamite 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.

John McKenzie Knuckey,
Chair

Signed on the 22nd of September 2017.

Independent audit report

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 Corangamite Financial Services Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Corangamite 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

Corangamite 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.

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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: 22 September 2017

David Hutchings
Lead Auditor

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