

# Fleurieu Community Enterprises Limited

ABN 72 116 550 157

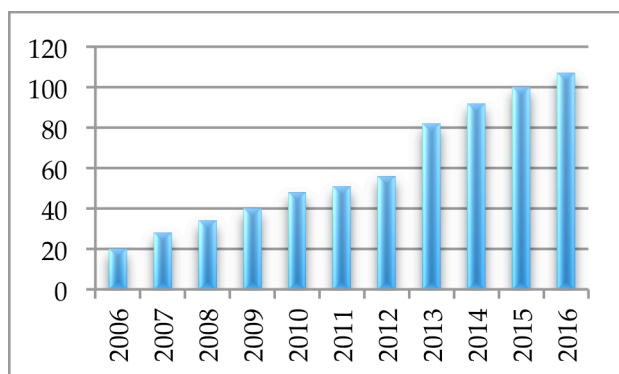


## Dear Shareholder

It is encouraging to note that, despite continuing low interest rates, our results have modestly improved with a profit of \$25,687 for the six months to 31 December 2016. This follows the profitable second half of the previous financial year and confirms that the long-term expansion strategy and investment into the Willunga CSC is no longer significantly impacting our short-term results.

This improvement has been achieved by the increased growth in our footings (total deposits and loans) which now exceeds \$107 million, up \$4 million in the half year, together with no large capital expenditure and a strong control on costs. Your Board is confident that we will continue to trade at a modest profit and we remain confident regarding the full year results.

### Footings Growth (\$ million)

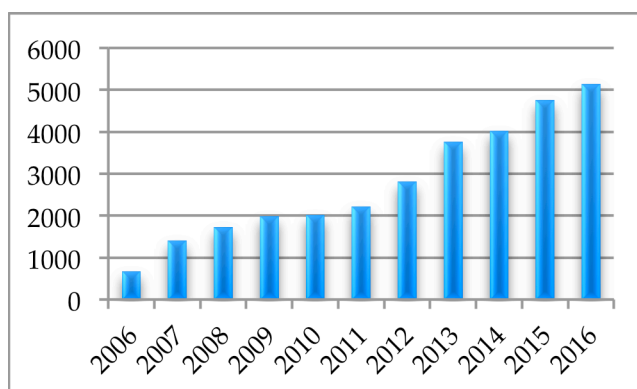


### Customer Growth

Our customer and account numbers continue to grow but in this low interest rate environment we continue to see our customers repay loans faster and this has reduced our level of growth. This trend of increasing customers is continuing but we are seeing deposits growing faster than lending. This is unfortunate since we earn more interest margin on loans rather than deposits.

The support we are receiving from the community continues to grow and we reached 5,144 accounts by the end of the Half Year.

### Account Growth



### Board Changes

In the past few weeks we have seen two Director resignations; Eva Szollosi and Caleb Sutherland, for personal reasons related to work and family priorities. The Board are thankful for their efforts and we are encouraged that both remain strong ambassadors promoting our business. In keeping with our community engagement focus we have been in discussion with local replacement candidates to maintain the diversity of our Board and to refresh for the future. We hope to be able to announce replacements in the next couple of months.

### Community Investments

Encouragingly, and in line with our Franchise Agreement, we continue to invest into our local community, which brings us new supporters and ambassadors and directly helps us grow our customer base. Last month we celebrated breaking through \$200,000 of community investment since FCE Ltd was founded. This figure will continue to rise at a faster rate given our size and on-going profitability.

If you know of a passionate community organisation, activity or event that we should consider supporting, please encourage them to submit a request for consideration. The range of activities we are supporting is increasingly varied from sporting clubs, particularly youth teams, to kindergartens, schools, music events, festivals and many community organisations. Specific details are constantly updated in the branch picture library and on our Facebook page. This return and investment into our community is what differentiates our banking franchise from competitors and is our key point of difference.



Some of the organisations that have benefited in the past 10 months are listed below:

- Myponga Bowling Club
- Aldinga Football Club
- Aldinga Christmas Lunch
- Cinemallunga
- McLaren Vale Business Awards
- Flicks at the Flat
- McLaren Vale Showcase
- McLaren Flat Bowling Club
- Aldinga Christmas Pageant
- MIFSA Pie Ride
- McLaren Flat CFS
- McLaren Flat Bowling Club
- Myponga Netball Club
- Aldinga Soccer Club
- Willunga Bowling Club
- Aero Club
- STARS
- Cancer Council
- Mid Coast SLSC Community Challenge
- RSPCA Paws Walk



## Shareholder Changes

The Board is aware that there are a large number of shareholders still trying to sell their shares as a result of relocation, inheritance or financial priorities. Regrettably, insufficient interest from prospective buyers has come forward at the prices being sought by those seeking to sell.

This is not an area where the Board can take any action to influence the Low Volume Market. We have no mechanism to advertise or promote buyers nor can the company buy back the shares.

The best we can do as your Board is to continue to focus on the growth of our business, supporting our management team and encouraging referrals to our staff to increase our customers. This is being achieved and whilst we wish to move quicker on this main goal it will take time for the growth to reflect in stronger profit levels which will make the shares more attractive as the company improves its ability to issue good dividends.

## Industry Trends

We are intimately aware that the banking industry is transforming very quickly and traditional practices of using cash and cheques are rapidly being displaced by electronic internet and pay-wave card transactions. This industry wide phenomenon is being experienced by all of our competitors and early signs of this are further bank branch closures and reduced numbers of ATMs. Where cash is required, the major supermarket stores encourage cash withdrawals usually without any fee. This trend is something your Board needs to encourage since handling cash and counter transactions in the branch is increasingly expensive and reduces the profit available to our shareholders.

Your Board has already removed our branch ATM since the Aldinga Shopping Centre is well served by the new upgraded Bendigo Bank ATM at the Northern entrance which remains heavily underused. This will reduce our costs by approximately \$1,000 per month and with good supermarkets available, along with the remaining Bendigo ATM, is another cost saving initiative that has been actioned in the past few months.

## Fleurieu Collaboration

At our last AGM I referred to this initiative in my address to the meeting and we have worked with the Alexinvest Ltd Board (Goolwa Community Bank) and Bendigo Bank (Victor Harbor Branch) to pool our resources across our four sites collectively. This sharing of ideas, staff, and initiatives is now starting to help us in our strategic goals of continuing to build financial sustainability and to ensure we offer an alternative banking proposition that directly benefits the communities of the Fleurieu.

Your Board of volunteer Directors are encouraged by the improved results and the efforts being made by our manager, Annette Seeliger and our staff. We also continue to rely on your support to promote our business which strengthens our results and our community. Please continue to refer the personal or business banking, insurance and financial planning needs to help us achieve the sustainability we are seeking.

**Ron Logan**  
**Chairman**

22 May 2017