



Annual Report 2017

Keppel Financial
Services Limited

ABN 41 113 396 768

Emu Park **Community Bank**[®] Branch

Contents

Chairman's report	2
Manager's report	3
Directors' report	4
Auditor's independence declaration	10
Financial statements	11
Notes to the financial statements	15
Directors' declaration	35
Independent audit report	36

Chairman's report

For year ending 30 June 2017

Greetings to all of our shareholders and welcome to those who have become new customers during this past year.

We have been able to maintain our overall banking business which has produced another good result for our balance sheet, community contributions and shareholder's dividends.

The Board again forecasts a dividend to shareholders similar to previous years, payable around the time of the 2017 Annual General Meeting.

Stages 2, 3 and 4 of the Hartley Street Sport & Recreation Precinct are now well under way with major earthworks almost completed. The Emu Park Foreshore Redevelopment has also commenced which is another community project we are proud to partner with local, state and federal governments.

The Board anticipate the opening of the Yeppoon **Community Bank**[®] Branch to be late November 2017. In the Extraordinary General Meeting of 5 July 2017, it was unanimously approved to change the company name to Keppel Financial Services Limited in readiness for this opening. Recruitment of new staff for the Yeppoon **Community Bank**[®] Branch has been completed with training now well under way.

Staff training continues to be high on our agenda for this year and we thank our Bank Manager (Colleen Williams) and the team for their dedicated service to our customers.

In conclusion and on behalf of the Board, I wish to extend our sincere thanks and appreciation to our ever increasing loyal customers and our shareholders for their ongoing commitment and great support during this year and we trust shall continue into the future.



Gregory Thomasson
Chairman

Manager's report

For year ending 30 June 2017

Welcome to the Annual Report that includes financials for Keppel Financial Services Limited, the company that operates the Emu Park **Community Bank**[®] Branch. Since the branch opened for business in October 2005, we have distributed a total community dividend of \$1.656 million. This amount includes sponsorships, grants, donations, community capital investments and shareholder dividends. We have only been able to achieve this milestone with the continuing support of members of the community who choose to bank with us.

The Emu Park team are proud to record another successful year for the 2016/17 financial year. The staff would personally like to thank all of our customers who support their **Community Bank**[®] branch and continue to make the branch a wonderful place to work. The 2016/17 financial year was regarded as a difficult year of businesses across Australia. Despite the current banking environment, we were still able to achieve a sound profit with our total business remaining at \$115 million. Currently Emu Park **Community Bank**[®] Branch has approximately 4,528 customers and growing daily.

Our branch comprises of Customer Relations Officer Miranda Findley, Customer Service Officers Janelle Hawes and Gayle Pidd, Business Manager Trevor Robertson and myself, Branch Manager Colleen Williams. Kirsten Steele has now relocated interstate however continues to work for a local **Community Bank**[®] branch in Victoria. We welcomed a new Customer Service Officer to our team, Kymberly Kane. Kymberly was with the Calliope **Community Bank**[®] Branch for three years prior to moving to the Capricorn Coast.

Our team continues to focus on excellent customer service, extensive financial experience and knowledge that are passed onto our customers. This in turn creates a successful community and this leads to other business growth. Thank you also to Bill and Jenny Kellaris for their ongoing hard work and commitment to the Yeppoon agency.

The staff are very serious about the **Community Bank**[®] branch ethos of **Bigger than a bank** and making the Capricorn Coast a better place to live. Throughout the year the staff have continued to assist with many local events and festivals in their own time and feel great pride when we are able to provide funding for local projects.

The 2017 Annual Grants Evening was again an enormous success with special mention to the branch staff and Directors for all of their hard work and involvement in the organising of the event. We are proud to mention that Emu Park **Community Bank**[®] Branch continues to give back to the local community through numerous sponsorships and grants.

Emu Park **Community Bank**[®] Branch is your bank. We are here not only to provide exceptional banking service to you, but also to promote the success of our community. It is rewarding to know that the profit we achieve is retained locally for the benefit of our community, because when we succeed, so many others do as well.

At Bendigo Bank we know full well the difference a bank can make. We know that successful customers make a successful community and that is why we set out to do both.

If you are yet to discover the benefits of banking with Emu Park **Community Bank**[®] Branch, we invite you to allow us the opportunity to discuss our banking services and how your banking can assist you, your family and your community. We look forward to meeting you. 'Be the change'.



Colleen Williams
Branch Manager

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:

Gregory Cecil Thomasson

Chairman

Occupation: Painting and Maintenance Contractor

Qualifications, experience and expertise: Mining Industry. Real Estate industry. Marketing and Sales. Emu Park RSL Centenary of Anzacs Project - Steering Committee Member. Executive Committee Member - Capricornia Cruising Yacht Club (NFP).

Special responsibilities: Chairman. HR & Property Committee.

Interest in shares: 1

Lance Steven Cummins

Treasurer

Occupation: Director

Qualifications, experience and expertise: Is the manager and financial manager of family owned businesses with keen interest in investment management of equities and property. Has a Bachelor of Business (Accounting).

Director of Rockhampton Church of Christ Limited.

Special responsibilities: Treasurer. HR, Finance/Audit & Governance, Business Development, Sponsorship and Share Registry Committees. Ex-officio on all other committees.

Interest in shares: 65,001

Ian Peter Chambers

Director

Occupation: Cleaner/Trustee

Qualifications, experience and expertise: Business experience as a Grazier and Motelier. Has a Diploma of Business.

Special responsibilities: Sponsorship, Business Development and Share Registry Committees.

Interest in shares: 10,500

John Francis McKenna

Director

Occupation: Company Director & Manager

Qualifications, experience and expertise: Director of McKenna Enterprises Pty Ltd and J&M McKenna Super Pty Ltd. Manager of Rocky Bowl and Leisure Centre. Treasurer of the Tenpin Bowling Association Queensland Inc., Treasurer of Rockhampton Junior Tenpin Bowling Association Inc. Secretary of Rockhampton Benevolent Homes Inc. Director of Rockhampton Tenpin Bowling Association. Past Chairman of St Brendan's College Foundation Limited.

Special responsibilities: Sponsorship and Business Development Committees. Cluster Group Representative.

Interest in shares: 20,502

Directors' report (continued)

Directors (continued)

Kevin Thomas Hogan

Director

Occupation: Company Director

Qualifications, experience and expertise: Chair of the Board of Benevolent Aged Care and Managing Director of Keppel 26 Investments. Member of the Finance Council to the Catholic Diocese of Rockhampton, Treasurer of Crime Stoppers Area Committee and Parish Manager of Park Avenue Catholic Parish. Past Treasurer of Rockhampton Chambers of Commerce, past Managing Director of Retail & Service Business. Past Chairman of the Capricornia Correctional Centre Advisory Board and Sisters of Mercy Aged Care. Past Manager of Park Avenue Catholic Parish.

Special responsibilities: Business Development Committee.

Interest in shares: 67,171

Phillip Andre Luzzi

Director

Occupation: Retired

Qualifications, experience and expertise: Senior Nursing Administrator Hunter Area Health Services NSW. Clerk with Metropolitan Meat Industry Board. Director ROBPHI Pty. Ltd. Founder, Owner and Director of Clever Kids Capricornia (Private Tuition). Chair Person of Body Corporate for Ludwig Lodge Taranganba Yeppoon. President of Emu Park RSL Sub Branch Inc (2013-2016) and Vice President of RSL Pioneer-Fitzroy-Highlands District Inc. Welfare Officer for Department of Veteran Affairs, Pioneer, Fitzroy, Highlands District. Member of Steering Committee Centenary of ANZAC Project Emu Park. Diploma in Health Science. Bachelor of Science. OH&S Certificate. Extensive PC skills, leadership and negotiating skills and a team player with excellent communication skills.

Special responsibilities: Business Development and Property Committees.

Interest in shares: Nil

Collette Cheryl Bowman

Director

Occupation: Retired Legal Secretary

Qualifications, experience and expertise: Collette has had more than 30 years experience working in legal offices and barristers' chambers. She held the position of practice manager for the barristers' chambers in Rockhampton until her retirement in 2014. Was director/secretary of family company and trust which held a quarter interest in two childcare centres in South Australia. Held various executive positions in a number of organisations including Girl Guides, Pottery Club and Rockhampton ladies gourmet club. Collette is married and mother of five children and proud grandmother of 9 grandchildren. Collette enjoys sewing patchwork quilts and needlework.

Special responsibilities: Secretary. Business Development and Share Registry Committees.

Interest in shares: 2,000

Directors' report (continued)

Directors (continued)

Graham David Luck

Director

Occupation: Retired Aged Pensioner

Qualifications, experience and expertise: Associate Diploma – General Insurance (Senior Associate ANZIF), Certified Financial Planner. Graham is a Foundation (Charter) Member - Rotary Club of Rockhampton North since 1959, active Member QLD Rural Fire Services since 1988, in various capacities including Fire Fighter, First Officer, Treasurer and Secretary of various Rural fire brigades, he was also a Deputy Group officer of Miriam Vale RFB Group, Retired 2014. Graham has been involved as President of Emu Park and District Men's Activity Shed, President of RSL Care Sunset Ridge Independent Living Units Residents committee. Employment History and experience for Graham involves 1950-1969 Clerk/Inspector/Branch Manger – Royal Insurance Group (Brisbane and Rockhampton), 1969-1985 – Partner/Owner/ Manager – Chevron Dry Cleaners & Laundry, 1977-1985 Partner/ Owner – Ideal Dry Cleaners, 1986-2003 – Mango farmer/pack shed owner/manager at Targinnie/Yarwun, 1986-2003 Franchise holder/Associate of a Financial Planning franchise, with offices at Targinnie and Rockhampton.

Special responsibilities: Sponsorship and Business Development Committees.

Interest in shares: 3,000

Brooke Elizabeth Roberts

Director (Appointed 1 July 2016)

Occupation: Accountant/Principal Director

Qualifications, experience and expertise: Has worked in the accounting industry for 16+ years, graduating from CQU with a Bachelor of Business - Accounting in 1999. Commenced employment in a small rural accounting practice and CPA studies. Worked for a reputable practice in Rockhampton for 14 years. Received CPA designation in July 2005, and was awarded a fellowship with CPA Australia in March of 2016. Started accounting practice in Emu Park in October 2014 and operated as a sole practitioner specialising in taxation, accounting and business consultancy services. On 1 July 2016, merged with another sole practitioner bringing existing businesses together under the one banner. Now operate and manage in two locations with 5 staff. Was heavily involved with the local surf lifesaving club as a junior and went on to provide audit and accounting services for the Club.

Special responsibilities: Finance/Audit & Governance Committee.

Interest in shares: Nil

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

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

Company Secretary

The company secretary is Collette Bowman. Collette was appointed to the position of secretary on 5 May 2015.

Qualifications, experience and expertise: Collette is a retired Legal Secretary who has more than 30 years experience working in legal offices and barristers' chamber.

Principal Activities

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

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

Directors' report (continued)

Operating results

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

Year ended 30 June 2017 \$	Year ended 30 June 2016 \$
77,685	70,019

Dividends

	Year ended 30 June 2017	
	Cents	\$
Dividends paid in the year	8	53,737

Significant changes in the state of affairs

In a special meeting held on 5 July 2017, it was unanimously carried by the board to change the company name from Emu Park and District Financial Services Limited to Keppel Financial Services Limited.

Recruitment of new staff for the proposed Yeppoon **Community Bank**[®] branch has been completed with training now well underway. The office location has been identified and will be announced once lease negotiations are finalised. The Board anticipate announcing the successful tender for the fitout by early September 2017.

In the opinion of the directors there were no other 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.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 19 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Directors' report (continued)

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			
			Business Development		Sponsorship	
	A	B	A	B	A	B
Gregory Cecil Thomasson	12	11	-	-	-	-
Lance Steven Cummins	12	11	2	2	4	4
Ian Peter Chambers	12	12	2	2	4	3
John Francis McKenna	12	11	2	1	4	4
Kevin Thomas Hogan	12	12	2	1	-	-
Phillip Andre Luzzi	12	8	-	-	-	-
Collette Cheryl Bowman	12	8	2	-	-	-
Graham David Luck	12	10	2	2	4	3
Brooke Elizabeth Roberts*	12	7	-	-	-	-

A - eligible to attend * (Appointed 1 July 2016)

B - number attended

Note: Finance/Audit, Human Resources, Share Registry and Property Committees complete work as required without holding structured meetings.

Proceedings on behalf of the company

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

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

Non audit services

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

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

Directors' report (continued)

Non audit services (continued)

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

Signed in accordance with a resolution of the board of directors at Emu Park, Queensland on 1 September 2017.



**Gregory Cecil Thomasson,
Chairman**

Auditor's independence declaration



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 Keppel Financial Services Limited

As lead auditor for the audit of Keppel 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.

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 13 September 2017

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

David Hutchings
Lead Auditor

Taxation | Audit | Business Services

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

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue from ordinary activities	4	885,381	913,787
Employee benefits expense		(300,158)	(362,566)
Charitable donations, sponsorship, advertising and promotion		(240,958)	(206,208)
Occupancy and associated costs		(77,043)	(82,921)
Systems costs		(18,882)	(20,343)
Depreciation and amortisation expense	5	(33,961)	(34,969)
Finance costs	5	-	(40)
General administration expenses		(106,673)	(109,315)
Profit before income tax expense		107,706	97,425
Income tax expense	6	(30,021)	(27,406)
Profit after income tax expense		77,685	70,019
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		77,685	70,019
Earnings per share		¢	¢
Basic earnings per share	22	11.57	10.42

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2017

	Notes	2017 \$	2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	207,951	181,829
Trade and other receivables	8	73,202	87,234
Total Current Assets		281,153	269,063
Non-Current Assets			
Property, plant and equipment	9	236,212	256,616
Intangible assets	10	43,890	57,447
Total Non-Current Assets		280,102	314,063
Total Assets		561,255	583,126
LIABILITIES			
Current Liabilities			
Trade and other payables	12	1,298	46,811
Current tax liabilities	11	12,763	13,325
Provisions	13	7,269	11,215
Total Current Liabilities		21,330	71,351
Non-Current Liabilities			
Provisions	13	11,522	7,974
Deferred tax liabilities	11	3,319	2,665
Total Non-Current Liabilities		14,841	10,639
Total Liabilities		36,171	81,990
Net Assets		525,084	501,136
Equity			
Issued capital	14	638,214	638,214
Accumulated losses	15	(113,130)	(137,078)
Total Equity		525,084	501,136

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015	638,214	(153,360)	484,854
Total comprehensive income for the year	-	70,019	70,019
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(53,737)	(53,737)
Balance at 30 June 2016	638,214	(137,078)	501,136
Balance at 1 July 2016	638,214	(137,078)	501,136
Total comprehensive income for the year	-	77,685	77,685
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(53,737)	(53,737)
Balance at 30 June 2017	638,214	(113,130)	525,084

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		983,350	999,489
Payments to suppliers and employees		(840,605)	(902,979)
Interest received		3,131	3,187
Interest paid		-	(40)
Income taxes paid		(29,927)	(17,260)
Net cash provided by operating activities	16	115,949	82,397
Cash flows from investing activities			
Payments for property, plant and equipment		-	(2,944)
Payments for intangible assets		(36,090)	(32,481)
Net cash used in investing activities		(36,090)	(35,425)
Cash flows from financing activities			
Repayment of borrowings		-	(2,471)
Dividends paid		(53,737)	(53,737)
Net cash used in financing activities		(53,737)	(56,208)
Net increase/(decrease) in cash held		26,122	(9,236)
Cash and cash equivalents at the beginning of the financial year		181,829	191,065
Cash and cash equivalents at the end of the financial year	7(a)	207,951	181,829

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2017

Note 1. Summary of significant accounting policies

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

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

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

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**[®] branch at Emu Park, Queensland.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

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

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

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

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

b) Revenue

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

Revenue calculation

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Commission

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

Fee income

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

Discretionary financial contributions

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

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

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

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

Ability to change financial return

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) 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) Financial liabilities

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

Impairment

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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.

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

(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.

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

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.

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

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- gross margin	651,055	558,585
- services commissions	101,733	188,457
- fee income	105,480	113,339
- market development fund	25,000	50,000
Total revenue from operating activities	883,268	910,381
Non-operating activities:		
- interest received	2,113	3,406
Total revenue from non-operating activities	2,113	3,406
Total revenues from ordinary activities	885,381	913,787

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	5,090	5,850
- leasehold improvements	11,485	11,485
- motor vehicle	3,829	3,829

Amortisation of non-current assets:

- franchise agreement	2,260	2,303
- franchise renewal fee	11,297	11,502
	33,961	34,969

Finance costs:

- interest paid	-	40
Bad debts	1,993	1,291

Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	29,365	24,293
- Movement in deferred tax	656	8,690
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	(97)
- Under/(Over) provision of tax in the prior period	-	(5,480)
	30,021	27,406

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 6. Income tax expense (continued)		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	107,706	97,425
Prima facie tax on profit from ordinary activities at 27.5% (2016: 28.5%)	29,619	27,766
Add tax effect of:		
- non-deductible expenses	402	-
- timing difference expenses	(656)	(3,473)
	29,365	24,293
Movement in deferred tax	656	8,690
Adjustment to deferred tax to reflect change of tax rate in future periods	-	(97)
Under/(Over) provision of income tax in the prior year	-	(5,480)
	30,021	27,406

Note 7. Cash and cash equivalents

Cash at bank and on hand	18,001	30,009
Term deposits	189,950	151,820
	207,951	181,829

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	18,001	30,009
Term deposits	189,950	151,820
	207,951	181,829

Note 8. Trade and other receivables

Trade receivables	63,976	74,440
Prepayments	9,226	11,775
Other receivables and accruals	-	1,019
	73,202	87,234

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 9. Property, plant and equipment		
Leasehold improvements		
At cost	277,842	277,842
Less accumulated depreciation	(68,812)	(57,327)
	209,030	220,515
Plant and equipment		
At cost	98,169	98,169
Less accumulated depreciation	(76,043)	(70,953)
	22,126	27,216
Motor vehicle		
At cost	30,631	30,631
Less accumulated depreciation	(25,575)	(21,746)
	5,056	8,885
Total written down amount	236,212	256,616
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	220,515	232,000
Additions	-	-
Disposals	-	-
Less: depreciation expense	(11,485)	(11,485)
Carrying amount at end	209,030	220,515
Plant and equipment		
Carrying amount at beginning	31,046	33,952
Additions	-	2,944
Disposals	-	-
Less: depreciation expense	(5,090)	(5,850)
Carrying amount at end	25,956	31,046
Motor vehicle		
Carrying amount at beginning	5,055	8,884
Additions	-	-
Disposals	-	-
Less: depreciation expense	(3,829)	(3,829)
Carrying amount at end	1,226	5,055
Total written down amount	236,212	256,616

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 10. Intangible assets		
Franchise fee		
At cost	82,867	82,867
Less: accumulated amortisation	(75,554)	(73,294)
	7,313	9,573
Renewal processing fee		
At cost	114,337	114,337
Less: accumulated amortisation	(77,760)	(66,463)
	36,577	47,874
Total written down amount	43,890	57,447

Note 11. Tax

Current:

Income tax payable	12,763	13,325
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Non-Current:

Deferred tax assets		
- accruals	743	743
- employee provisions	5,168	5,277
	5,911	6,020

Deferred tax liability		
- accruals	-	280
- property, plant and equipment	9,230	8,405
	9,230	8,685

Net deferred tax liability	(3,319)	(2,665)
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Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income

	654	8,593
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Note 12. Trade and other payables

Current:

Trade creditors	590	3,983
Other creditors and accruals	708	42,828
	1,298	46,811

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 13. Provisions		
Current:		
Provision for annual leave	7,269	11,215
Non-Current:		
Provision for long service leave	11,522	7,974

Note 14. Contributed equity

671,710 ordinary shares fully paid (2016: 671,710)	671,710	671,710
Less: equity raising expenses	(33,496)	(33,496)
	638,214	638,214

Rights attached to shares

(a) Voting rights

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

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

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

(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.

Notes to the financial statements (continued)

Note 14. Contributed equity (continued)

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 230. As at the date of this report, the company had 235 shareholders.

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

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

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

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

	2017	2016
	\$	\$
Note 15. Accumulated losses		
Balance at the beginning of the financial year	(137,078)	(153,360)
Net profit from ordinary activities after income tax	77,685	70,019
Dividends paid or provided for	(53,737)	(53,737)
Balance at the end of the financial year	(113,130)	(137,078)

Note 16. Statement of cash flows

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

Profit from ordinary activities after income tax	77,685	70,019
Non cash items:		
- depreciation	20,404	21,164
- amortisation	13,557	13,805

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 16. Statement of cash flows (continued)		
Changes in assets and liabilities:		
- (increase)/decrease in receivables	14,028	(7,081)
- (increase)/decrease in other assets	-	5,928
- increase/(decrease) in payables	(9,421)	(26,794)
- increase/(decrease) in provisions	(398)	1,138
- increase/(decrease) in current tax liabilities	94	4,218
Net cash flows provided by operating activities	115,949	82,397

Note 17. Leases

Operating lease commitments

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

Payable - minimum lease payments:

- not later than 12 months	49,843	48,833
- between 12 months and 5 years	116,300	162,775
	166,143	211,608

The branch premises lease is a non-cancellable lease commencing on 27 October 2015 and expiring 27 October 2020, with rent payable on a monthly basis. At the conclusion of the lease term there is one further option for an additional five year term available to be exercised.

Note 18. Auditor's remuneration

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

- audit and review services	5,300	5,100
- share registry services	3,256	2,960
- non audit services	3,050	4,434
	11,606	12,494

Notes to the financial statements (continued)

Note 19. Director and related party disclosures

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

Gregory Cecil Thomasson
Lance Steven Cummins
Ian Peter Chambers
John Francis McKenna
Kevin Thomas Hogan
Phillip Andre Luzzi
Collette Cheryl Bowman
Graham David Luck
Brooke Elizabeth Roberts (Appointed 1 July 2016)

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

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

	2017	2016
	\$	\$
Transactions with related parties:		
Lance Steven Cummins is the son of the director/owner of TT Cummins & Son Pty Ltd, which is landlord of the branch premises at Unit 7 18-20 Hill Street, Emu Park. During the 2017 financial year the company made payments to TT Cummins & Son Pty Ltd for rental of the branch premises. The terms and conditions of the rental arrangements are on a commercial basis.	49,070	51,352
Brooke is an accountant and prepare and lodges the quarterly Business Activity Statements and the monthly Instalment Activity Statements for the company.	1,260	-

	2017	2016
Directors' Shareholdings		
Gregory Cecil Thomasson	1	1
Lance Steven Cummins	65,001	65,001
Ian Peter Chambers	10,500	10,500
John Francis McKenna	20,502	19,502
Kevin Thomas Hogan	67,171	67,171
Phillip Andre Luzzi	-	-
Collette Cheryl Bowman	2,000	-
Graham David Luck	3,000	2,000
Brooke Elizabeth Roberts (Appointed 1 July 2016)	-	-

During the 2017 financial year John purchased 1,000 shares, Collette purchased 2,000 shares and Graham purchased 1,000 shares. There were no other movements in directors shareholdings during the year.

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 20. Dividends paid or provided		
a. Dividends paid during the year		
Current year dividend		
100% (2016: 100%) franked dividend - 8 cents (2016: 8 cents) per share	53,737	53,737
The tax rate at which dividends have been franked is 27.5% (2016: 30%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	28,886	12,465
- franking credits that will arise from payment of income tax as at the end of the financial year	12,871	13,325
- 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:	41,757	25,790
- 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	41,757	25,790

Note 21. Key management personnel disclosures

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

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

	2017 \$	2016 \$
Note 22. Earnings per share		
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	77,685	70,019
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	671,710	671,710

Note 23. Events occurring after the reporting date

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

Notes to the financial statements (continued)

Note 24. Contingent liabilities and contingent assets

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

Note 25. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**[®] services in Emu Park and surrounding areas, Queensland pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 26. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
Unit 7 18-20 Hill Street Emu Park QLD 4710	Unit 7 18-20 Hill Street Emu Park QLD 4710

Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
	2017 \$	2016 \$	1 year or less		Over 1 to 5 years		Over 5 years		2017 \$	2016 \$	2017 %	2016 %
			2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$				
Financial assets												
Cash and cash equivalents	18,001	30,009	189,950	151,820	-	-	-	-	-	-	0.70	1.35
Receivables	-	-	-	-	-	-	-	-	63,976	74,440	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	-	Nil	Nil
Payables	-	-	-	-	-	-	-	-	590	3,983	N/A	N/A

Net Fair Values

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

Notes to the financial statements (continued)

Note 27. Financial instruments (continued)

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%	2,080	1,818
Decrease in interest rate by 1%	(2,080)	(1,818)
Change in equity		
Increase in interest rate by 1%	2,080	1,818
Decrease in interest rate by 1%	(2,080)	(1,818)

Directors' declaration

In accordance with a resolution of the directors of Keppel 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.



Gregory Cecil Thomasson,
Chairman

Signed on the 1st 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 Keppel Financial Services Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Keppel 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

Keppel 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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Independent audit report (continued)

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 13 September 2017



David Hutchings
Lead Auditor

Emu Park **Community Bank**[®] Branch
7/18 Hill Street, Emu Park QLD 4710
Phone: (07) 4939 6441 Fax: (07) 4939 6040

Franchisee: Keppel Financial Services Limited
7/18 Hill Street, Emu Park QLD 4710
Phone: (07) 4939 6441 Fax: (07) 4939 6040
ABN: 41 113 396 768

www.bendigobank.com.au/emu_park
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