Annual Report 2017

Kolan/Perry Community Enterprises Limited

ABN 21 123 507 844

Gin Gin **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2017

The Gin Gin **Community Bank**® Branch has had another very busy year with our footings now sitting at $126.6 million, which is very commendable as we are coming up to our 10th Anniversary.

This, I believe, is due to very dedicated staff, who give tireless and dedicated service to our customers and the community.

Our staff have opened an amazing 251 accounts since 30 November 2016.

We now hold over 5,250 accounts and can offer Student Banking facilities to our District Schools, most of whom have taken us up on this and hold accounts with us.

With this came growing pains and we had to make the decision to employ Rob Atherton as a Full Time Mobile Relationship Manager meaning a full-time Branch Manager was required. We welcomed Rick Emmerson into this role.

This financial year we have continued our growth by opening an agency in Childers on 9 December 2016. We believe this will be a growth area of our business into the future.

That means we have our main branch and ATM in Gin Gin plus an ATM in Mt Perry as well as an agency and an ATM in Biggenden and more recently an agency in Childers.

The company has once again supported not-for-profit organisations in our community and to date we have invested approximately $1.001 million in sponsorships to these valuable groups.

There has been a change to the 50/50 split of profit with Bendigo Bank as the Funding Model has changed over the last 10 years.

It seems we were getting more than our 50% and the new model will come into effect in July 2018. This new model is called Funds Transfer Pricing (FTP), we believe this will affect the amount of sponsorship dollars we will have available to handout in the future.

We are very excited to let you all know about our purchase and future plans for our new branch premises and shops. We took this step to ensure shareholders' investments will be assured into the future.

Finally, I thank my fellow Directors for their hard work and dedication to our **Community Bank**® branch and our communities.

Lance Cislowski
Chairman

Mobile Relationship Manager's report

For year ending 30 June 2017

The Gin Gin **Community Bank**® Branch had one of the best years on record throughout the 2016 /17 financial year. The branch continues to grow and outperform the high standards set.

Gin Gin **Community Bank**® Branch grew its portfolio by an extraordinary $24 million. This now takes the total business on the books to over $128 million. Gin Gin **Community Bank**® Branch also took out 'Branch of the Year' for the Sunshine Coast and Wide Bay region.

The Gin Gin **Community Bank**® Branch accomplished well in all areas of banking with over 155 home and personal loans settled in the branch. The branch also performed well in deposits, financial planning services and insurances.

Another impressive growth area, was our Rural Bank lending team. Glenn Henricksen has been looking after our rural customers. Glenn helped grow our business by over $9 million.

The growth in all these areas are what continues drive such high returns to this great company. Customers, Directors and shareholders continue to support us by banking with us and referring family and friends to the Gin Gin **Community Bank**® Branch.

We now employ 11 staff with our newest staff member Kristy-Lee who started last year. Sadly, we saw Brent transfer to Brisbane and we wish him all the best in his future.

Due to the ongoing demands of the business, we have now employed Rick Emmerson as Branch Manager. Rick joined our team in June this year and brings a great amount of banking experience to our team. Please pop in and say "g'day" to our new staff.

The Gin Gin **Community Bank**® Branch has continued to expand our services to other rural communities such as Biggenden and Childers, improving our commitment to service. Our Biggenden agency is now over four years old and has over $4.7 million in business on the books. Childers is now 12 months old with over 2.5 million in business.

To assist us in expanding our business we now have three referrers in our network who regularly recommend new customers to the Gin Gin **Community Bank**® Branch. This will give increased awareness to a wider area. These referrers will ensure continued growth while promoting our business and success to the broader community.

Gin Gin **Community Bank**® Branch will be 10 years old this year and over this time has now seen in excess of $1 million invested back into the community. This past year has again seen significant funds go towards local not for profit groups and organisations.

The more you invest in us, the more our business grows, the more we grow, the more money we invest in your community. Give the branch a call so we can discuss your financial needs and we all can build you a stronger and more successful community.

I would like to thank the volunteer Directors of the Gin Gin **Community Bank**® company. They have continued to support the branch and staff with their dedication and commitment to ensure a strong and successful business.

I congratulate the staff of Gin Gin **Community Bank**® Branch and for their efforts over the past financial year. Without their commitment and great customer service we also would not have achieve these great results. I also like to recognise past staff and directors for their contribution. I look forward to another great year ahead.

Robert Atherton
Mobile Relationship 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:

Lance Edward Cislowski

Occupation: Chairman

Electrical Contractor

Qualifications, experience and expertise: President of Wallaville Hall Committee. Ex-President and Life member of Raiders Hockey Club. Member of Show Society. Ex divisional coordinator of Master electricians – Bundaberg Branch. Life member of Master Electricians Australia.

Special responsibilities: Human Resource Committee, Asset management Committee, Strategic Growth & Risk management

Interest in shares: 3,000

Susan Louise Bengtson

Treasurer

Occupation: Marketing/Publicity Officer

Qualifications, experience and expertise: Former teacher's aide at McIlwraith State School for the last 15 years. Currently President of the Gin Gin State High School P & C and Treasurer and Publicity/Marketing Officer for Kolan Perry Community Enterprises and part of the board since the steering committee.

Special responsibilities: Strategic Growth & Risk Management, Public Relations/Marketing & Branch Development, Audit/Governance Committee, Treasurer

Interest in shares: 5,501

Margaret Ann Flanders

Secretary

Occupation: University Lecturer

Qualifications, experience and expertise: Employed over 25 years with CQ University at Bundaberg Campus. She holds a Bachelor of Commerce, Diploma of Tertiary Studies and a Master Applied Science (Res) CQU. Currently a member of ESA International, Beta Epsilon, Gin Gin Branch and a member of the AIM (Australian Institute of Managers). Margaret has been a director of the company for over six years.

Special responsibilities: Company Secretary and member of the Marketing Committee

Interest in shares: 1,500

David Bruce Apel

Director

Occupation: Grazier

Qualifications, experience and expertise: Managed family cattle property and business for 27 years, Associate Diploma in Farm Business Management, Member of local Drought Committee, former Kolan Shire councillor.

Special responsibilities: Human Resources Committee, Marketing Committee

Interest in shares: 17,000

Directors (continued)

Paul Robert Stehbens

Director

Occupation: Principal - Gin Gin High School

Qualifications, experience and expertise: Paul was a qualified boilermaker and has worked throughout Central Queensland primarily in the coal mining sector until completing a Bachelor of Teaching in 1997. His teaching career began at Rosedale state school in 1998. He was appointed Head of Department at Gin Gin State High School in 2001 and has since then worked as Deputy Principal and now Principal. Paul has been part of Kolan Perry Community Enterprise since its inception in 2007 and has held positions of President and Vice President of the Gin Gin Show Society as well as positions within the Gin Gin Primary School & P&C Association.

Special responsibilities: Human Resources Committee, Marketing Committee, Facilities.

Interest in shares: 5,001

Selwyn Colin Bengtson

Director

Occupation: Farmer

Qualifications, experience and expertise: Director, Chairman of Local Chaplaincy committee.

Special responsibilities: Strategic Growth & Risk Management, Public Relations/Marketing & Branch Development, Asset Management

Interest in shares: 7,001

Brian William Flanders

Director

Occupation: Retired Principal Technical Officer

Qualifications, experience and expertise: Life Member of Apex, Justice of the Peace (Qualified), Certificate of Management, Patron of Gin Gin Scout Group, Previous Kolan Shire Councillor.

Special responsibilities: Audit/Governance Committee.

Interest in shares: 1,001

Arthur David Thomas Dingle

Director

Occupation: Grazier Beef Cattle

Qualifications, experience and expertise: Former Perry Shire Councillor, President Mt Perry Show Society for 20 years, Grazier. Director since beginning and previous vice chairman, Scout for Rural Manager talking and introducing new clients.

Special responsibilities: Marketing Committee

Interest in shares: 62,001

Wendy Margaret Burgess

Director

Occupation: Aged care worker

Qualifications, experience and expertise: Wendy has been involved in the show movement in the past holding the position of the Burnett Sub Chamber for Queensland Shows. She has been a volunteer for the Mt Perry Race Club. She continues to volunteer for various community events and clubs in the local area. Australia Post Contractor for 11 years.

Special responsibilities: Nil

Interest in shares: 500

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 Margaret Flanders. Margaret was appointed to the position of secretary on 24 November 2010.

Employed over 25 years with CQ University at Bundaberg Campus. She holds a Bachelor of Commerce, Diploma of Tertiary Studies and a Master Applied Science (Res) CQU. Currently a member of ESA International, Beta Epsilon, Gin Gin Branch and am a member of the AIM (Australian Institute of Managers). Margaret has also been a Beta Epsilon member for over 12 years.

Principal Activities

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

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 $
34,411	119,167

Dividends

	Year ended 30 June 2017	
	Cents	$
Unfranked dividend paid in the year	9	65,845

Significant changes in the state of affairs

Kolan/Perry CEL commenced operations of a new Agency in Childers on 21 November 2016. 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 except as disclosed in note 20 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Directors' Meetings	
	Eligible	**Attended**
Lance Edward Cislowski	11	9
David Bruce Apel	11	8
Paul Robert Stehbens	11	10
Margaret Ann Flanders	11	10
Susan Louise Bengtson	11	10
Selwyn Colin Bengtson	11	10
Brian Williams Flanders JP	11	11
Arthur David Thomas Dingle	11	8
Wendy Margaret Burgess	11	7

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.

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 9.

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

Lance Edward Cislowski,
Chairman

Auditor's independence declaration

Partners in success

Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Kolan/Perry Community Enterprises Limited

As lead auditor for the audit of Kolan/Perry Community Enterprises 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: 1 September 2017

David Hutchings
Lead Auditor

Taxation | Audit | Business Services

Financial statements

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

	Notes	2017 $	2016 $
Revenue from ordinary activities	4	1,349,336	1,201,619
Employee benefits expense		(583,336)	(529,880)
Charitable donations, sponsorship, advertising and promotion		(371,460)	(258,020)
Occupancy and associated costs		(57,016)	(49,208)
Systems costs		(27,604)	(28,620)
Depreciation and amortisation expense	5	(37,622)	(34,418)
Finance costs	5	(1,594)	(916)
General administration expenses		(222,963)	(133,360)
Profit before income tax expense		**47,741**	**167,197**
Income tax expense	6	(13,330)	(48,030)
Profit after income tax expense		**34,411**	**119,167**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**34,411**	**119,167**
Earnings per share		**¢**	**¢**
Basic earnings per share	23	4.70	16.29

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	84,446	501,493
Trade and other receivables	8	134,494	122,336
Current tax asset	11	21,150	-
Total Current Assets		**240,090**	**623,829**
Non-Current Assets			
Property, plant and equipment	9	689,701	152,104
Intangible assets	10	5,768	19,613
Deferred tax asset	11	10,829	7,810
Total Non-Current Assets		**706,298**	**179,527**
Total Assets		**946,388**	**803,356**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	10,745	53,358
Current tax liabilities	11	-	41,161
Borrowings	13	40,885	7,849
Provisions	14	36,751	28,470
Total Current Liabilities		**88,381**	**130,838**
Non-Current Liabilities			
Borrowings	13	215,329	2,759
Provisions	14	34,439	30,086
Total Non-Current Liabilities		**249,768**	**32,845**
Total Liabilities		**338,149**	**163,683**
Net Assets		**608,239**	**639,673**
Equity			
Issued capital	15	712,308	712,308
Accumulated losses	16	(104,069)	(72,635)
Total Equity		**608,239**	**639,673**

The accompanying notes form part of these financial statements.

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

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2015	**712,308**	**(125,957)**	**586,351**
Total comprehensive income for the year	-	119,167	119,167
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(65,845)	(65,845)
Balance at 30 June 2016	**712,308**	**(72,635)**	**639,673**
Balance at 1 July 2016	**712,308**	**(72,635)**	**639,673**
Total comprehensive income for the year	-	34,411	34,411
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(65,845)	(65,845)
Balance at 30 June 2017	**712,308**	**(104,069)**	**608,239**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2017

	Notes	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		1,429,829	1,293,747
Payments to suppliers and employees		(1,394,647)	(1,095,018)
Interest received		9,639	6,564
Interest paid		(1,594)	(916)
Income taxes paid		(78,660)	(26,331)
Net cash provided by/(used in) operating activities	**17**	**(35,433)**	**178,046**
Cash flows from investing activities			
Payments for property, plant and equipment		(561,375)	(23,038)
Net cash used in investing activities		**(561,375)**	**(23,038)**
Cash flows from financing activities			
Proceeds from borrowings		252,995	-
Repayment of borrowings		(7,389)	(6,935)
Dividends paid		(65,845)	(65,845)
Net cash used in financing activities		**179,761**	**(72,780)**
Net increase/(decrease) in cash held		**(417,047)**	**82,228**
Cash and cash equivalents at the beginning of the financial year		501,493	419,265
Cash and cash equivalents at the end of the financial year	**7(a)**	**84,446**	**501,493**

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.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

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 Gin Gin, Queensland and operates agencies at Childers and Biggenden, Queensland.

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 and assistance in relation to:

- 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.

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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.

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.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan.

For those products and services on which margin is paid, 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.

Products and services on which margin is paid include variable rate deposits and variable rate home loans.

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.

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

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.

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.

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

g) Property, plant and equipment (continued)

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

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

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

<u>Recognition and initial measurement</u>

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.

<u>Derecognition</u>

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.

<u>Classification and subsequent measurement</u>

(i) Loans and receivables

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

(ii) Financial liabilities

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

<u>Impairment</u>

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.

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.

(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.

<u>Taxation</u>

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

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.

<u>Estimation of useful lives of assets</u>

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.

<u>Impairment of assets</u>

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.

	2017 $	2016 $

Note 4. Revenue from ordinary activities

Operating activities:		
- gross margin	1,032,020	890,273
- services commissions	166,060	142,364
- fee income	118,083	111,658
- market development fund	25,000	50,000
Total revenue from operating activities	**1,341,163**	**1,194,295**
Non-operating activities:		
- interest received	8,173	7,324
Total revenue from non-operating activities	**8,173**	**7,324**
Total revenues from ordinary activities	**1,349,336**	**1,201,619**

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	10,194	8,070
- leasehold improvements	5,830	5,770
- buildings	1,020	-
- motor vehicles	6,734	6,734
Amortisation of non-current assets:		
- franchise agreement	2,307	2,307
- franchise renewal fee	11,537	11,537
	37,622	**34,418**
Finance costs:		
- interest paid	**1,594**	**916**
Bad debts	**53,094**	**3,585**

Note 5. Expenses (continued)

The bad debt was associated with a loan Kolan/Perry CEL was liable for. Bendigo and Adelaide Bank Limited chose not to appeal against the ombudsman on the behalf of Kolan/Perry CEL due to the nature of the economic dependency Note 1 (a) Kolan/Perry are unlikely to recover the loan therefore decided to expense the outstanding loan.

Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	16,348	41,161
- Movement in deferred tax	(3,018)	8,671
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	284
- Under/(Over) provision of tax in the prior period	-	(2,086)
	13,330	**48,030**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	47,741	167,197
Prima facie tax on profit from ordinary activities at 27.5% (2016: 28.5%)	13,129	47,651
Add tax effect of:		
- non-deductible expenses	201	200
- timing difference expenses	3,018	(6,690)
	16,348	**41,161**
Movement in deferred tax	(3,018)	8,671
Adjustment to deferred tax to reflect change of tax rate in future periods	-	284
Under/(Over) provision of income tax in the prior year	-	(2,086)
	13,330	**48,030**

Note 7. Cash and cash equivalents

Cash at bank and on hand	**84,446**	**501,493**
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	**84,446**	**501,493**

Note 8. Trade and other receivables

Trade receivables	113,759	102,207
Prepayments	19,642	17,569
Other receivables and accruals	1,093	2,560
	134,494	**122,336**

Note 9. Property, plant and equipment

	2017 $	2016 $
Freehold land		
At cost	325,000	-
Buildings		
At cost	190,223	-
Less accumulated depreciation	(964)	-
	189,259	**-**
Leasehold improvements		
At cost	176,688	176,687
Less accumulated depreciation	(85,099)	(79,268)
	91,589	**97,419**
Plant and equipment		
At cost	122,772	118,704
Less accumulated depreciation	(81,641)	(73,391)
	41,131	**45,313**
Motor vehicles		
At cost	56,330	26,936
Less accumulated depreciation	(24,298)	(17,564)
	32,032	**9,372**
Capital works in progress	10,690	-
Total written down amount	**689,701**	**152,104**
Movements in carrying amounts:		
Land		
Carrying amount at beginning	-	-
Additions	325,000	-
Disposals	-	-
Less: depreciation expense	-	-
Carrying amount at end	**325,000**	**-**
Buildings		
Carrying amount at beginning	-	-
Additions	190,223	-
Disposals	-	-
Less: depreciation expense	(964)	-
Carrying amount at end	**189,259**	**-**

	2017 $	2016 $
Note 9. Property, plant and equipment (continued)		
Leasehold improvements		
Carrying amount at beginning	97,419	101,540
Additions	-	1,649
Less: depreciation expense	(5,830)	(5,770)
Carrying amount at end	**91,589**	**97,419**
Plant and equipment		
Carrying amount at beginning	45,313	31,994
Additions	6,068	21,389
Less: depreciation expense	(10,250)	(8,070)
Carrying amount at end	**41,131**	**45,313**
Motor vehicles		
Carrying amount at beginning	9,372	16,106
Additions	29,394	-
Less: depreciation expense	(6,734)	(6,734)
Carrying amount at end	**32,032**	**9,372**
Capital works in progress		
Carrying amount at beginning	-	-
Additions	10,690	-
Disposals	-	-
Less: depreciation expense	-	-
Carrying amount at end	**10,690**	**-**
Total written down amount	**689,701**	**152,104**

Note 10. Intangible assets

	2017 $	2016 $
Franchise fee		
At cost	21,537	21,537
Less: accumulated amortisation	(20,576)	(18,268)
	961	**3,269**
Renewal processing fee		
At cost	57,684	57,684
Less: accumulated amortisation	(52,877)	(41,340)
	4,807	**16,344**
Total written down amount	**5,768**	**19,613**

Notes to the financial statements (continued)

	Note	2017 $	2016 $
Note 11. Tax			
Current:			
Income tax payable/(refundable)		**(21,150)**	**41,161**
Non-Current:			
Deferred tax assets			
- accruals		743	715
- employee provisions		19,577	16,103
		20,320	**16,818**
Deferred tax liability			
- accruals		218	622
- property, plant and equipment		9,273	8,386
		9,491	**9,008**
Net deferred tax asset		**10,829**	**7,810**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income		**(3,019)**	**8,955**

Note 12. Intangible assets

	Note	2017	2016
Current:			
Trade creditors		8,471	9,703
Other creditors and accruals		2,274	43,655
		10,745	**53,358**

Note 13. Borrowings

	Note	2017	2016
Current:			
Bank Loans		30,050	-
Lease liability	18	10,835	7,849
		40,885	**7,849**
Non-Current:			
Bank Loans		190,719	-
Lease liability	18	24,610	2,759
		215,329	**2,759**

Bank loans are repayable monthly with the final instalment due November 2024. Interest is recognised at an average rate of 2.52%. The loans are secured by a fixed and floating charge over the company's assets.

	2017 $	2016 $

Note 14. Provisions

Current:		
Provision for annual leave	**36,751**	**28,470**
Non-Current:		
Provision for long service leave	**34,439**	**30,086**

Note 15. Contributed equity

731,609 ordinary shares fully paid (2016: 731,609)	731,609	731,609
Less: equity raising expenses	(19,301)	(19,301)
	712,308	**712,308**

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.

Note 15. 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 275. As at the date of this report, the company had 295 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 16. Accumulated losses

Balance at the beginning of the financial year	(72,635)	(125,957)
Net profit from ordinary activities after income tax	34,411	119,167
Dividends paid or provided for	(65,845)	(65,845)
Balance at the end of the financial year	**(104,069)**	**(72,635)**

Note 17. Statement of cash flows

Reconciliation of profit from ordinary activities after tax to net cash provided by/(used in) operating activities

Profit from ordinary activities after income tax	34,411	119,167
Non cash items:		
- depreciation	23,778	20,574
- amortisation	13,844	13,844

Note 17. Statement of cash flows (continued)

	2017 $	2016 $
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(12,157)	(16,674)
- (increase)/decrease in other assets	(24,169)	8,955
- increase/(decrease) in payables	(42,613)	18,753
- increase/(decrease) in provisions	12,634	683
- increase/(decrease) in current tax liabilities	(41,161)	12,744
Net cash flows used in operating activities	**(35,433)**	**178,046**

Note 18. Leases

	2017 $	2016 $
Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	12,382	7,849
- between 12 months and 5 years	26,576	3,270
- greater than 5 years	-	-
Minimum lease payments	**38,958**	**11,119**
Less future finance charges	(3,513)	(511)
Present value of minimum lease payments	**35,445**	**10,608**

The finance lease of $34,089, which commenced in November 2013, is a four year lease. Interest is recognised at an average rate of 6.93% (2016: 6.34%).

The finance lease of $35,688.04, which commenced in June 2017, is a four year lease. No interest was paid on lease during 2016/2017.

	2017 $	2016 $
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	10,706	21,411
- between 12 months and 5 years	-	10,706
- greater than 5 years	-	-
	10,706	**32,117**

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The current lease expires on 11 December 2017 with one further option of 5 years.

	2017 $	2016 $

Note 19. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,200	4,200
- non audit services	2,705	3,176
	6,905	**7,376**

Note 20. Director and related party disclosures

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

Lance Edward Cislowski
David Bruce Apel
Paul Robert Stehbens
Margaret Ann Flanders
Susan Louise Bengtson
Selwyn Colin Bengtson
Brian Williams Flanders JP
Arthur David Thomas Dingle
Wendy Margaret Burgess

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 Cislowski received remuneration for electrical maintenance works	-	643
Susan Bengston received remuneration for bookkeeping and marketing services	28,548	25,200

	2017	2016
Directors' Shareholdings		
Lance Edward Cislowski	3,000	3,000
David Bruce Apel	17,000	17,000
Paul Robert Stehbens	5,001	5,001
Margaret Ann Flanders	1,500	1,500
Susan Louise Bengtson	5,501	5,501
Selwyn Colin Bengtson	7,001	7,001
Brian Williams Flanders JP	1,001	1,001
Arthur David Thomas Dingle	62,001	62,001
Wendy Margaret Burgess	500	500

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

	2017 $	2016 $

Note 21. Dividends paid or provided

	2017 $	2016 $
a. Dividends paid during the year		
Current year dividend		
Unfranked dividend - 9 cents (2016: 9 cents) per share	**65,845**	**65,845**
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	104,993	26,332
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	(21,152)	41,393
- 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:	**83,841**	**67,725**
- 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	**83,841**	**67,725**

Note 22. Key management personnel disclosures

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

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

	2017 $	2016 $

Note 23. Earnings per share

	2017 $	2016 $
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	34,411	119,167

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	731,609	731,609

Note 24. Events occurring after the reporting date

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

Note 25. Contingent liabilities and contingent assets

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

Note 26. Segment reporting

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

Note 27. 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
63 Mulgrave Street
Gin Gin QLD 4671

Principal Place of Business
63 Mulgrave Street
Gin Gin QLD 4671

Note 28. 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	84,446	501,493	-	-	-	-	-	-	-	-	1.79	1.40
Receivables	-	-	-	-	-	-	-	-	113,759	102,207	N/A	N/A
Financial liabilities												
Interest bearing liabilities	220,769	-	10,835	7,849	24,610	2,759	-	-	-	-	2.93	6.63
Payables	-	-	-	-	-	-	-	-	8,471	9,703	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Note 28. Financial instruments (continued)

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%	(1,718)	4,909
Decrease in interest rate by 1%	1,718	(4,909)
Change in equity		
Increase in interest rate by 1%	(1,718)	4,909
Decrease in interest rate by 1%	1,718	(4,909)

Directors' declaration

In accordance with a resolution of the directors of Kolan/Perry Community Enterprises 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.

Lance Edward Cislowski,
Chairman

Signed on the 1st of September 2017.

Independent audit report

Partners in success
Chartered Accountants

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Independent auditor's report to the members of Kolan/Perry Community Enterprises Limited

Report on the audit of the financial statements

Our opinion
In our opinion, the financial report of Kolan/Perry Community Enterprises 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
Kolan/Perry Community Enterprises Limited's (the company) financial report comprises the:

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

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

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

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

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

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 1 September 2017

David Hutchings
Lead Auditor

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