



Annual Report 2017

Lockmore Financial Services Ltd

ABN 41 106 113 599

Elmore **Community Bank**[®] Branch

Lockington **Community Bank**[®] Branch

Rochester **Community Bank**[®] Branch

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Chair's report

For year ending 30 June 2017

It is with great pleasure that I present to you the Lockmore Financial Services Limited Annual Report for the year ending 30 June 2017.

Our results at a glance

Your **Community Bank**[®] branch continues to perform positively in a challenging operating environment, with ongoing low interest rates tightening the margins on our primary revenue sources and high levels of competition amongst banks for customers and business. Against this backdrop our banking business has continued to grow at the strong levels we have come to expect to \$183.4 million as of 30 June 2017. While banking business has increased, our revenue hasn't followed suit because of the tight margins and it remains largely stable when compared to last year at \$1.298 million. To respond to this we have worked hard to contain our expenses and as a result we have posted a modest profit of \$23,610 after tax for the year.

Our work supporting the community

In amongst these headline results we have maintained a focus on ensuring a return to our communities. As well as continuing to be a strong local employer, we made a dividend payment of 2.5c per share late in 2016 and returned over \$75,000 to our communities in sponsorship across the year.

Through two rounds of our Community Sponsorship Program we helped to support the fabric of our communities by contributing to the important work of the following groups:

Bamawm Golf Club	Calivil Bowling Club
Campaspe Golf Club	Elmore Bowls Club
Elmore Cemetery Trust	Elmore Memorial Hall
Elmore Primary Health	Elmore Tennis Club
Kamarooka Welfare League	Lockington & District Living Heritage Complex
Lockington Action Club	Lockington Bowls Club
Lockington Bush Nursing	Lockington Community News
Lockington Country Music Festival	Lockington Pre School
Nanneella Hall & Recreation Reserve	Pine Grove Fire Brigade
Rochester & District Pony Club	Rochester Bowls Club
Rochester Business Network	Rochester Football Netball Club
Rochester Golf Club	Rochester Lions Club
Rochester Little Athletics	Rochester Mural Festival
Rochester Netball Club	Rochester United Cricket Club
St Josephs Primary School	Strathallan Family Landcare

We also partnered for success by maintaining our Strategic Partnerships with the Elmore Field Days and the Campaspe Academy of Sport. Our partnership with the Elmore Field Days is long running and we are proud of what we have been able to achieve together. In 2016, just like many years before, your **Community Bank**[®] company teamed with Bendigo Bank to provide cash sponsorship and prizes to the Ag Art Competition, ATM services for event-goers, out of hours cash handling and counting support, amongst other things. This partnership for the Elmore Field Days event builds

Chair's report (continued)

on other support provided to improve the facilities at the Elmore Events Centre over time. The Campaspe Academy of Sport is a specialised sporting program at the Rochester Secondary College, the main senior educator of our region's youth. The Academy delivers a program that introduces students to all aspects of elite coaching from skills to nutrition, health and wellbeing. In its second year, more students are involved and external coaching and an enhanced testing program are now part of the program. We are thrilled to have played a part in creating a program that will help our region's talented youth fulfil their sporting potential.

As we look towards the 2017/18 financial year we are excited about exploring new partnerships with other like-minded organisations and turning our attention to making possible the big ideas that will help build our communities.

Our team

The achievements of Lockmore Financial Services Limited wouldn't be possible without the commitment and passion of our team of staff and Directors. These are the people who are the face of our company and provide our customers and our community with such wonderful service.

I would like to recognise the hard work of our branch staff team, led by Tracie Kyne, our Senior Branch Manager. This team has worked together to grow our business in challenging times and ensure that we provide exceptional service to our customers. At 30 June 2017 we employed a team of 15 branch staff, made up of some new faces, others who have been around since the beginning and all of them passionate about the prosperity of our communities. I would also like to recognise the team who keep our company running smoothly, Sandra Wade, our Administration and Marketing Coordinator, Meagan Keating, our Marketing Consultant and Leo Bruinier, our Business Consultant. There is much work to do to ensure that Lockmore Financial Services Limited is well governed and this team provides us with great support.

I extend a sincere thank you to the Directors who have contributed to your **Community Bank**[®] company this year. Our Board continues to work together as a team, and with our partner Bendigo Bank, to navigate through challenging times with one eye on the sustainability and performance of the company and the other on meeting the needs of our communities. In particular I take this opportunity to commend Kate Taylor and Amanda Logie, who both retired from the Board following the 2016 Annual General Meeting, on their strong guidance for the company and their role in representing the Rochester community. Kate deserves extra recognition for her role as Chair in 2015 and 2016 and I thank her for her efforts in this leadership role for Lockmore Financial Services Limited.

Our plan for the future

The last year has been a time for reflecting on the past and planning for the future for Lockmore Financial Services Limited. Despite the successes of 13 years of operation at our original branches, pleasing and sustained growth in our banking business and over \$1.3 million returned directly to our communities we think we can do more.

We confirmed our direction for the next phase and our approach to build on these achievements. Through a new Strategic Plan, we will support the fabric of our communities with a focus on community groups, essential services and business development; we will partner for success by being approachable and open to new opportunities; and we will identify and enable big ideas for our towns. We will also continue to respect our customers; identify and tailor banking solutions to their needs; and we will create and nurture customer advocates for your Community Bank. As a company we will focus on being a strong team of exceptional individuals; we will be compliant and sustainable; and we will maximise our profits for the benefits of our shareholders and our communities.

There is much for us to do but I want to assure you that the Board is up to the task and working with our partner, the Bendigo Bank, on a clear plan that has the best interests for us all at its core.

Thank you

While we look forward with new resolve and a plan to keep working hard to create a more prosperous future for Lockmore Financial Services Limited, our shareholders and our communities, we cannot forget where we came from, who made our company possible and who contributes the most to our success.

Chair's report (continued)

Thank you to our shareholders who committed to this company in the beginning at Elmore and Lockington and later on at Rochester. You have been part of creating something special and we are forever grateful for your show of support and your capital contributions. We trust that the returns to you and to your communities that we have been able to provide so far are satisfying to see. Lastly, thank you to our customers, all 4,074 of you, you play the most important part of all. When you choose to bank with your local **Community Bank**[®] branch, you help us support your community. The more customers who choose to bank with us, and the more products that each customer has with us, the more money we make. The more money we make, the more we can reinvest in the community. It's a great way to do business and we are proud to be part of it.

A handwritten signature in black ink, appearing to read "Brad Drust". The signature is fluid and cursive, with a large initial "B" and "D".

Brad Drust
Chair

Manager's report

For year ending 30 June 2017

The branches of Lockmore Financial Services Limited now provide thousands of people with individual, customised, exceptional service and a full range of banking products. By the end of the financial year of 2017 we now have a total of 4,074 customers, an increase of 183 this year. By being one of the 4,074 customers, you are supporting the bank that supports your communities, and on behalf of these communities, I say "thank you".

It is with great pleasure that I present to you the 2017 Manager's Annual Report for Lockmore Financial Services Limited, and as Senior Branch Manager, I am pleased to report again on the successful achievements of our branches and company.

The current and forecast financial environment, continues to make my role both rewarding and challenging, however I am thrilled to advise that our business has grown another \$9.1 million to reach \$183.4 million by 30 June 2017 which represents a 5.2% increase on last year.

With NAB closing in Rochester during this last financial year, a number of new customers saw the **Community Bank**[®] branch as their choice for change. We continue to see new faces in our branches looking for an alternative to main stream, big banks, and to be rewarded by having their profits go back to their communities is a bonus.

In summary, as at the end of the 2016/17 financial year, the combined branch's business is noted as:

- Loan Business \$78.2 million
- Deposit Business \$72 million
- Wealth Products \$17.3 million
- Other Business \$15.8 million (such as Rural Bank, Equipment Finance, Treasury Funds etc.)
- Total Business = \$183.4 million.

I seek to remind our shareholders that your ongoing support as customers is invaluable to ensuring our future success. Please tell our story to your family and friends and remind them that just by banking with us, makes a difference in the communities in which they live. As you know, it is this support and banking activity that ultimately determines the level of return to our local area.

As our business has grown, so has the support to local community groups and organisations across the three areas of Elmore, Lockington and Rochester. The number of groups we've assisted is pleasing to see, and also supports the tireless volunteers within these groups. From a staff member's point of view, supporting local organisations this way is the best part of my job. Very rewarding.

We are continuing to engage and strengthen our ties with local community groups, and our Community Sponsorship Program has enjoyed great success, with two rounds per year, rather than whenever they're submitted to the Board for assessment.

Staff updates

During the 2016/17 year:

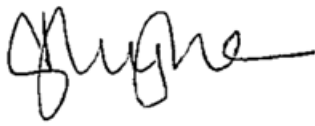
- Lucy Knight returned after spending a few years in Sunbury with her family.
- David Gray began employment as a Casual Business Development Manager after leaving Head Office, where he was a Regional Lending Manager.
- Kylie Pearce joined Lockmore as a Casual Employee.
- Adrian O'Brien left Lockmore for Full Time employment with Echuca branch.

Manager's report (continued)

Also a big thanks and congratulations to all staff employed by Lockmore for another successful year, Helen B, Greg, David, Kelly, Helen Mc, Claire, Kerri, Tanya, Wendy, Michelle, Rachel, Fiona, Lucy, Kylie and Lauren. They continue to support the needs of our customers across three branches including transactional, lending, protection and wealth creation and do a fabulous job moving from branch to branch to support the needs of the business.

In closing, I'd especially like to thank our customers whose banking and support has resulted in the ability to give back to our communities in such a positive way. They are the true heroes of this organisation and are also our best source of referrals for new business growth. We will continue to build on our business, but ask that you help us to do so by telling our story to your family and friends. We will support your community groups through our sponsorship programs, but this can only happen with continual new business.

We will continue to strive to be the best we can be, by providing the highest levels of customer service, and remain committed to ensuring we continue our engagement with our local communities.



Tracie Kyne
Senior Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2017

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

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

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

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

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

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

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

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

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

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

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

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



Robert Musgrove
Executive Engagement Innovation

Directors' report

For the financial year ended 30 June 2017

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

Directors

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

Bradley Adrian Drust

Company Chair

Occupation: Chief Executive Officer

Qualifications, experience and expertise: Almost 16 years experience in natural resource management in technical and management roles. Currently Chief Executive Officer at the North Central Catchment Management Authority leading the organisation to deliver a range of community, environment and compliance programs. Bachelor of Arts (Geography), Bachelor of Science (Environmental Science) and Masters of Business Administration qualifications. Also Chairperson of the Elmore Swimming Pool Committee of Management. Director since 2014.

Committees: Buildings & Maintenance, Finance & Audit, Human Resources

Interest in shares: Nil

Graeme Trevor Wood

Company Secretary

Occupation: Farmer

Qualifications, experience and expertise: Formerly involved in many community groups including president of the school council, office bearer APEX Club and currently Treasurer of Lockington Community Care Committee Inc. Director since 2003.

Committees: Marketing, Buildings & Maintenance, Share Registry Officer

Interest in shares: 626

Robyn Jean Maclean

Company Treasurer

Occupation: Principal - Primary School

Qualifications, experience and expertise: Involved in a range of local community organisations. Worked in Education for 26 years. Master of School Leadership (University of Melbourne). Currently Principal of Colbinabbin Primary School. Director since 2015.

Committees: Finance & Audit

Interest in shares: 700

Corinne Gaye Holmberg

Assistant Treasurer

Occupation: Retired

Qualifications, experience and expertise: Retired Administrator & business partner, background in office management positions in which financial book keeping was a responsibility. Has been actively involved in community organisations often holding executive positions. Director since 2003, Treasurer from 2006 to 2014.

Committees: Marketing, Finance & Audit

Interest in shares: 3,751

Directors' report (continued)

Directors (continued)

Sandra Margaret Peacock

Director

Occupation: Business Owner

Qualifications, experience and expertise: Past Nanneella School Council President. Co-owner of two local business operations. Currently serving on Committee of Management of Rochester Community House. Director since 2011.

Committees: Human Resources, Marketing

Interest in shares: 10,000

Patrick Augustine Rochford

Director (Appointed 4 July 2016)

Occupation: Accountant, Farmer

Qualifications, experience and expertise: Bachelor of Business (Accounting), small business experience in the farming sector with both dairy and beef. Worked in large water organisation in both accounting & governance.

Experience in Community Consultation, Chair of the Farm & Environment Working Group, Goulburn Broken Catchment Management Authority, member of Shepparton Irrigation Region People & Planning Integration Committee (SIRPPIC).

Committees: Finance & Audit

Interest in shares: Nil

Kathryn Carmel Taylor

Director (Retired 21 October 2016)

Occupation: Teacher

Qualifications, experience and expertise: Secondary English Teacher and Student Welfare Coordinator at Rochester Secondary College. Holds a Bachelor of Education. Owns and operates Taylor Made Cows with husband Darren since 2002. A past president of many local community groups and was a member of the Rochester Steering Committee. Director since 2010.

Committees: Marketing, Human Resources, Finance & Audit.

Interest in shares: 1,000

Amanda Irene Logie

Director (Retired 21 October 2016)

Occupation: Coordinator - Rochester Community House

Qualifications, experience and expertise: Coordinator at Rochester Community House which puts her in a "grass roots" position to assist with the development of her community. She has been on numerous committees including the Steering committee for the Rochester **Community Bank**[®] Branch and Rochester Little Athletics. Director since 2013.

Committees: Finance & Audit, Property (Rochester) and Vice Chair.

Interest in shares: 2,000

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 Board appointed Graeme Trevor Wood to the position of Company Secretary in November 2016.

Graeme has been involved in many community groups including president of the school council, office bearer APEX Club and currently Treasurer of Lockington Community Care Committee Inc. Director since 2003.

Directors' report (continued)

Principal Activities

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

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

Operating results

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

Year ended 30 June 2017 \$	Year ended 30 June 2016 \$
23,610	27,615

Dividends

	Year ended 30 June 2017	
	Cents	\$
Dividends paid in the year	2.5	39,732

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 22 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.

Directors' report (continued)

Indemnification and insurance of directors and officers (continued)

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended					
			Finance / Audit		Human Resources		Marketing	
	A	B	A	B	A	B	A	B
Bradley Adrian Drust	12	12	2	2	2	2	3	2
Graeme Trevor Wood	12	11	2	2	-	-	3	3
Robyn Jean Maclean	12	10	2	1	-	-	3	2
Corinne Gaye Holmberg	12	10	2	2	-	-	3	2
Sandra Margaret Peacock	12	9	2	2	2	2	3	3
Patrick Augustine Rochford *	12	10	2	2	-	-	3	2
Kathryn Carmel Taylor **	4	3	-	-	-	-	1	1
Amanda Irene Logie ***	4	4	-	-	-	-	1	1

A - eligible to attend

B - number attended

* - (Appointed 4 July 2016)

** - (Retired 21 October 2016)

*** - (Retired 21 October 2016)

Proceedings on behalf of the company

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

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

Non audit services

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

The board of directors has considered the position, in accordance with the advice received from the finance / audit committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

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

- all non-audit services have been reviewed by the finance / audit committee to ensure they do not impact on the impartiality and objectivity of the auditor

Directors' report (continued)

Non audit services (continued)

- 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 13.

Signed in accordance with a resolution of the board of directors at Elmore, Victoria on 17 August 2017.



Bradley Adrian Drust,
Chair

Auditor's independence declaration



Chartered Accountants

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03 5443 0344
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Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Lockmore Financial Services Limited

As lead auditor for the audit of Lockmore Financial Services Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 17 August 2017

David Hutchings
Lead Auditor

Financial statements

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

	Notes	2017 \$	2016 \$
Revenue from ordinary activities	4	1,298,111	1,292,444
Employee benefits expense		(800,037)	(821,202)
Charitable donations, sponsorship, advertising and promotion		(98,312)	(86,277)
Occupancy and associated costs		(65,285)	(70,636)
Systems costs		(63,720)	(67,326)
Depreciation and amortisation expense	5	(53,611)	(52,922)
Finance costs	5	-	(304)
General administration expenses		(176,995)	(156,380)
Profit before income tax expense		40,151	37,397
Income tax expense	6	(16,541)	(9,782)
Profit after income tax expense		23,610	27,615
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		23,610	27,615
Earnings per share		¢	¢
Basic earnings per share	23	1.49	1.74

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	610,781	594,432
Trade and other receivables	8	121,586	120,423
Total Current Assets		732,367	714,855
Non-Current Assets			
Property, plant and equipment	9	197,106	226,007
Intangible assets	10	129,979	18,629
Deferred tax asset	11	14,302	19,155
Total Non-Current Assets		341,387	263,791
Total Assets		1,073,754	978,646
LIABILITIES			
Current Liabilities			
Trade and other payables	12	141,814	56,048
Current tax liabilities	11	11,688	-
Borrowings	13	-	878
Provisions	14	88,362	62,928
Total Current Liabilities		241,864	119,854
Non-Current Liabilities			
Provisions	14	8,128	18,908
Total Non-Current Liabilities		8,128	18,908
Total Liabilities		249,992	138,762
Net Assets		823,762	839,884
Equity			
Issued capital	15	1,344,664	1,344,664
Accumulated losses	16	(520,902)	(504,780)
Total Equity		823,762	839,884

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	1,344,664	(484,718)	859,946
Total comprehensive income for the year	-	27,615	27,615
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(47,677)	(47,677)
Balance at 30 June 2016	1,344,664	(504,780)	839,884
Balance at 1 July 2016	1,344,664	(504,780)	839,884
Total comprehensive income for the year	-	23,610	23,610
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(39,732)	(39,732)
Balance at 30 June 2017	1,344,664	(520,902)	823,762

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		1,411,097	1,393,762
Payments to suppliers and employees		(1,298,140)	(1,360,227)
Interest received		12,909	13,386
Interest paid		-	(304)
Net cash provided by operating activities	17	125,866	46,617
Cash flows from investing activities			
Payments for property, plant and equipment		(1,755)	(11,114)
Payments for intangible assets		(67,152)	-
Net cash used in investing activities		(68,907)	(11,114)
Cash flows from financing activities			
Repayment of borrowings		(878)	(2,571)
Dividends paid		(39,732)	(47,677)
Net cash used in financing activities		(40,610)	(50,248)
Net increase/(decrease) in cash held		16,349	(14,745)
Cash and cash equivalents at the beginning of the financial year		594,432	609,177
Cash and cash equivalents at the end of the financial year	7(a)	610,781	594,432

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 leases 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**[®] branches at Elmore, Lockington and Rochester, Victoria.

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

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

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

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

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

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

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

b) Revenue

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

Revenue calculation

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

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

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 vehicles 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	891,482	753,187
- services commissions	216,422	305,489
- fee income	109,261	107,711
- market development fund	62,500	100,000
- other revenue	2,874	8,577
Total revenue from operating activities	1,282,539	1,274,964
Non-operating activities:		
- interest received	12,521	13,386
- other revenue	3,051	4,094
Total revenue from non-operating activities	15,572	17,480
Total revenues from ordinary activities	1,298,111	1,292,444

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	7,162	8,799
- leasehold improvements	14,577	16,063
- motor vehicle	8,916	8,916
Amortisation of non-current assets:		
- franchise agreement	3,659	2,525
- franchise renewal fee	15,797	2,619
- establishment fee	3,500	14,000
	53,611	52,922
Finance costs:		
- interest paid	-	304
Bad debts	407	690

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 6. Income tax expense		
The components of tax expense comprise:		
- Current tax	7,288	-
- Movement in deferred tax	(3,116)	7,998
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	697
- Recoupment of prior year tax losses	7,970	7,195
- Under/(Over) provision of tax in the prior period	4,399	(6,108)
	16,541	9,782

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

Operating profit	40,151	37,397
Prima facie tax on profit from ordinary activities at 27.5% (2016: 28.5%)	10,578	10,658
Add tax effect of:		
- non-deductible expenses	1,100	423
- timing difference expenses	3,580	(1,890)
- other deductible expenses	-	(1,996)
	15,258	7,195
Movement in deferred tax	(3,116)	7,998
Adjustment to deferred tax to reflect change of tax rate in future periods	-	697
Under/(Over) provision of income tax in the prior year	4,399	(6,108)
	16,541	9,782

Note 7. Cash and cash equivalents

Cash at bank and on hand	310,781	294,432
Term deposits	300,000	300,000
	610,781	594,432

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	310,781	294,432
Term deposits	300,000	300,000
	610,781	594,432

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 8. Trade and other receivables		
Trade receivables	99,880	95,612
Prepayments	18,687	21,404
Other receivables and accruals	3,019	3,407
	121,586	120,423

Note 9. Property, plant and equipment

Leasehold improvements		
At cost	309,912	309,912
Less accumulated depreciation	(152,674)	(138,097)
	157,238	171,815
Plant and equipment		
At cost	137,969	136,215
Less accumulated depreciation	(112,587)	(105,425)
	25,382	30,790
Motor vehicles		
At cost	44,581	44,581
Less accumulated depreciation	(30,095)	(21,179)
	14,486	23,402
Total written down amount	197,106	226,007
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	171,815	187,878
Additions	-	-
Disposals	-	-
Less: depreciation expense	(14,577)	(16,063)
Carrying amount at end	157,238	171,815
Plant and equipment		
Carrying amount at beginning	30,790	28,475
Additions	1,754	11,114
Disposals	-	-
Less: depreciation expense	(7,162)	(8,799)
Carrying amount at end	25,382	30,790

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 9. Property, plant and equipment (continued)		
Motor vehicles		
Carrying amount at beginning	23,402	32,318
Additions	-	-
Disposals	-	-
Less: depreciation expense	(8,916)	(8,916)
Carrying amount at end	14,486	23,402
Total written down amount	197,106	226,007

Note 10. Intangible assets

Franchise fee		
At cost	108,984	86,600
Less: accumulated amortisation	(89,584)	(85,925)
	19,400	675
Establishment fee		
At cost	70,000	70,000
Less: accumulated amortisation	(70,000)	(66,500)
	-	3,500
Renewal processing fee		
At cost	194,922	83,000
Less: accumulated amortisation	(97,923)	(82,126)
	96,999	874
Agency Costs - payout		
At cost	13,580	13,580
Total written down amount	129,979	18,629

Note 11. Tax

Current:

Income tax payable	11,688	-
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Non-Current:

Deferred tax assets		
- accruals	715	1,155
- employee provisions	26,535	22,505
- tax losses carried forward	-	7,970
	27,250	31,630

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 11. Tax (continued)		
Deferred tax liability		
- accruals	830	938
- property, plant and equipment	12,118	11,537
	12,948	12,475
Net deferred tax asset	14,302	19,155
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	4,853	9,782

Note 12. Trade and other payables

Current:

Trade creditors	43,660	3,811
Other creditors and accruals	98,154	52,237
	141,814	56,048

Note 13. Borrowings

Current:

Bank loans	-	878
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A new photocopier lease has been taken out in December 2012. Interest is charged at 14% and the final instalment is due in November 2016.

Note 14. Provisions

Current:

Provision for annual leave	42,770	37,569
Provision for long service leave	45,592	25,359
	88,362	62,928

Non-Current:

Provision for long service leave	8,128	18,908
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Note 15. Contributed equity

1,589,227 ordinary shares fully paid (2016: 1,589,227)	1,409,233	1,409,233
Less: equity raising expenses (Elmore/Lockington)	(29,553)	(29,553)
Less: equity raising expenses (Rochester)	(35,016)	(35,016)
	1,344,664	1,344,664

Notes to the financial statements (continued)

Note 15. Contributed equity (continued)

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.

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 694. As at the date of this report, the company had 774 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.

Notes to the financial statements (continued)

Note 15. Contributed equity (continued)

Prohibited shareholding interest (continued)

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	(504,780)	(484,718)
Net profit from ordinary activities after income tax	23,610	27,615
Dividends paid or provided for	(39,732)	(47,677)
Balance at the end of the financial year	(520,902)	(504,780)

Note 17. 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	23,610	27,615
Non cash items:		
- depreciation	30,655	33,778
- amortisation	22,956	19,144
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(1,163)	(26,159)
- (increase)/decrease in other assets	4,853	9,782
- increase/(decrease) in payables	18,613	(30,450)
- increase/(decrease) in provisions	14,654	12,907
- increase/(decrease) in current tax liabilities	11,688	-
Net cash flows provided by operating activities	125,866	46,617

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 18. Leases		
Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	-	915
- between 12 months and 5 years	-	-
Minimum lease payments	-	915
Less future finance charges	-	(37)
Present value of minimum lease payments	-	878

The finance lease is of a photocopier. Commencing in December 2012, it was a four year lease with the last payment in December 2016. Interest was charged at 14%.

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	39,970	39,718
- between 12 months and 5 years	21,940	61,532
	61,910	101,250

The Elmore Branch lease is a non-cancellable lease with a five-year term commencing 1 December 2013, with rent payable monthly in advance. It is in the last option period. The rent is reviewed annually with increases in line with CPI.

The Lockington Branch lease is a non-cancellable lease with a five-year term commencing 3 March 2014, with rent payable monthly in advance. The rent is reviewed annually with increases in line with CPI.

The Rochester Branch lease is a non-cancellable lease with a three-year term, with rent payable monthly in advance. The lease has two further five year term options left on the lease. The rent is reviewed annually with increases in line with CPI and on market value at each renewal date next being 3 December 2018.

	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	4,100
- share registry services	7,242	7,245
- non audit services	3,170	4,676
	14,612	16,021

Notes to the financial statements (continued)

	2017	2016
	\$	\$

Note 20. Director and related party disclosures

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

Bradley Adrian Drust
 Graeme Trevor Wood
 Robyn Jean Maclean
 Corinne Gaye Holmberg
 Sandra Margaret Peacock
 Patrick Augustine Rochford (Appointed 4 July 2016)
 Kathryn Carmel Taylor (Retired 21 October 2016)
 Amanda Irene Logie (Retired 21 October 2016)

No director or related entity has entered into a material contract with the company.

	2017	2016
Directors' Shareholdings		
Bradley Adrian Drust	-	-
Graeme Trevor Wood	626	626
Robyn Jean Maclean	700	700
Corinne Gaye Holmberg	3,751	3,751
Sandra Margaret Peacock	10,000	10,000
Patrick Augustine Rochford (Appointed 4 July 2016)	-	-
Kathryn Carmel Taylor (Retired 21 October 2016)	1,000	1,000
Amanda Irene Logie (Retired 21 October 2016)	2,000	2,000

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

	2017	2016
	\$	\$

Note 21. Dividends paid or provided

a. Dividends paid during the year

Current year dividend		
Unfranked dividend - 2.5 cents (2016: 3 cents) per share	39,732	47,677

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 21. Dividends paid or provided		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	6,468	6,468
- franking credits that will arise from payment of income tax as at the end of the financial year	11,688	-
- 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:	18,156	6,468
- 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	18,156	6,468

Note 22. Key management personnel disclosures

The directors received remuneration including superannuation, as follows:

Bradley Adrian Drust	1,200	-
Graeme Trevor Wood	600	-
Robyn Jean Maclean	600	-
Corinne Gaye Holmberg	600	-
Sandra Margaret Peacock	600	-
Patrick Augustine Rochford (Appointed 4 July 2016)	600	-
Kathryn Carmel Taylor (Retired 20 October 2016)	-	-
Amanda Irene Logie (Retired 20 October 2016)	-	-
	4,200	-

The Board decided to forego their remuneration for being directors for the 2016 financial year.

Note 23. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	23,610	27,615
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	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,589,227	1,589,227

Notes to the financial statements (continued)

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 Elmore, Lockington and Rochester, Victoria 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	Principal Place of Business
62 Railway Place Elmore Vic 3558	62 Railway Place Elmore Vic 3558
	9-11 Lockington Road Lockington Vic 3563
	24 Gillies Street Rochester Vic 3561

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.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 %	2016 %
Financial assets												
Cash and cash equivalents	310,781	294,432	300,000	300,000	-	-	-	-	-	-	2.07	2.90
Receivables	-	-	-	-	-	-	-	-	99,880	95,612	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	-	878	-	-	-	-	-	-	Nil	14.00
Payables	-	-	-	-	-	-	-	-	43,660	3,811	N/A	N/A

Notes to the financial statements (continued)

Note 28. Financial instruments (continued)

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2017	2016
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	6,108	5,936
Decrease in interest rate by 1%	(6,108)	(5,936)
Change in equity		
Increase in interest rate by 1%	6,108	5,936
Decrease in interest rate by 1%	(6,108)	(5,936)

Directors' declaration

In accordance with a resolution of the directors of Lockmore 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.



Bradley Adrian Drust,
Chair

Signed on the 17th of August 2017.

Independent audit report



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 Lockmore Financial Services Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Lockmore 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

Lockmore 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: 17 August 2017



David Hutchings
Lead Auditor

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