



Annual Report 2017

Oak Flats Financial
Services Ltd

ABN 62 093 057 768

Oak Flats and Shellharbour **Community Bank**[®] branches

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Chairman's report

For year ending 30 June 2017

Company performance

The profit after income tax increased in the 2016/17 financial year to \$184,785 (2015/16 \$119,516). The increase in income is a product of hard work by our staff in building the business, especially our manager Liz Shepherd. Bendigo and Adelaide Bank also changed how our profit share is calculated with the result of over \$100,000 extra income for Oak Flats during this financial year. This is due to the product mix that we hold at our branch.

Community contributions

In 2016/17 these contributions amounted to \$278,931 (2015/16 \$157,0028). The **Community Bank**[®] branches continue to contribute to the local community service organisations, schools and social and sporting bodies. The Sponsorship and Marketing Committee continue to work hard to ensure that every dollar given in community support is helping build the business in some way. Our Marketing Manager Elise Gooda is progressing well in her role and has organised and initiated a number of campaigns that we will reap the benefit from in the coming year.

Dividends

The dividend for the year has been declared as 11 cents per share with an extra 2 cents special dividend (2015/16 - 11 cents per share), this dividend is calculated in reference to the Franchise agreement and the company's rules.

The Directors and Manager together with our committed and friendly service driven branch staff continue to focus on the need to grow the business and are working on a number of strategies to achieve this.

I would like to thank the Board, Liz Shepherd and teams at Oak Flats and Shellharbour, the shareholders and our customers for their continued efforts to make this company a success. Also, I would like to commend and thank Michael Gamble for his commitment and efforts over the past 18 years from being involved in the initial setting up of the company and his input in the direction and success that the company has enjoyed in the years since inception. Michael retired from the Board prior to the Annual General Meeting. This year we passed the \$2.5 million milestone in community contributions which is an indication of the commitment of the staff and the Board over the past 17 years of operation.

Yours Sincerely,



Geoff Egan
Chairman

Manager's report

For year ending 30 June 2017

Financial performance

Over the last financial year Oak Flats and Shellharbour **Community Bank**[®] branches have seen some good results across business growth. We have grown in total by \$18 million which can be attributed to the following:

- \$19.5 million growth on our lending book
- \$2.4 million loss on our deposit book.

In summary, as at the end of the 2016/17 financial year, the businesses are represented by the following:

- 6,589 customers across both sites
- The combined business book was at \$235.2 million, an increase of \$18 million year on year
- 8693 deposit accounts amounting to \$119.5 million
- 900 loan accounts amounting to \$102.8 million.

Staffing

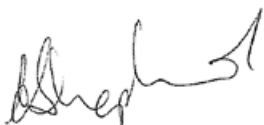
There have been a number of changes to the team in the past 24 months. I came on board at the end of November 2015 from Westpac and identified a number of things that we needed to change so that we could move forward in this competitive industry. Whilst we have maintained the community focus, we have also lifted our level of professionalism and customer focus on ensuring that we talk to our customers and let them know that we are competitive and can do everything that the majors do. We have developed a 'can do' attitude and find a way to assist in every area that we can. These changes saw a few of the team choosing to pursue careers elsewhere which has resulted in the establishment of a relatively new team which has brought a new energy and excitement to the business. Our team is very productive and the customer feedback has been fantastic. We are highly engaged and enjoy working together to achieve customer outcomes that are second to none.

Working in the community

It was pleasing to see that our community contributions hit the \$2.5 million mark during the 2015/16 financial year! We have sponsored a number of different organisations, sporting clubs and local groups which has been very rewarding. We have attended various events including the Great Illawarra Walk, Oak Flats Primary School Open Day and the Parkinson's Walk to name a few. We have done this with consistency over the past few years and have also begun working closely with the local PCYC. We have also sponsored the Illawarra Junior Rugby League which has also been a great success. It's great to be able to give back financially as well as get involved personally with these groups and make a difference. Elise has done a fantastic job with our Facebook page and promotes our community involvement very well.

2017 Wrap

In conclusion, it has been a fantastic year and we have had great success in all aspects of our business. We have a highly engaged team that really enjoys working together and this creates a positive environment that is reflective of our results. I look forward to another profitable and productive year!



Liz Shepherd
Oak Flats and Shellharbour Branch Manager

Directors' report

For the financial year ended 30 June 2017

Your Directors present this report on the company for the financial year ended 30 June 2017.

Directors

The names of the Directors in office at any time during or since the end of the year are:

Name of Director	Period as Director	Qualifications, experience & special responsibilities	
Geoffrey Michael Egan	26 May 2000	Chartered Accountant	Chairman
Michael Francis Gamble	26 May 2000	Solicitor	Secretary
Jennifer Marie Butler	26 May 2000	Semi-Retired	
Neil Greig	7 May 2002	Business Owner	
Dale Robert Whittaker	26 May 2000	Business Owner	
Vanessa Mitrevska	5 December 2012	Employed in Marketing	
Andy Zakeli	15 April 2015	Photographer	
Elise Gooda	27 July 2017	Employed in Marketing	

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities

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

Operating results

Operations have continued to perform in line with expectations. The profit/(loss) of the company for the financial year after provision for income tax was \$184,785.75 (2016: \$119,516.47).

Dividends

	Year ended 30 June 2017	
	Cents per share	\$
Final dividends recommended: Ordinary Dividend of 11 cents	13	59,684
Dividends paid in the year: - As recommended in the prior year report	11	50,132

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.

Directors' report (continued)

Significant events after the balance date

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 providing banking services to the community.

Directors' benefits

No Director has received or has become entitled to receive, during or since the financial year, a benefit because of a contract made by the company 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 other than that mentioned in Notes 17 and 21.

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 Managers 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:

Name of Director	Number attended	Other Committee
Geoffrey Michael Egan	12 of 12	9 of 9
Michael Francis Gamble	11 of 12	5 of 5
Jennifer Marie Butler	12 of 12	5 of 7
Neil Greig	10 of 12	3 of 3
Dale Robert Whittaker	10 of 12	5 of 7
Vanessa Mitrevska	9 of 12	6 of 7
Andy Zakelj	10 of 12	4 of 7
Elise Gooda(appointed 27 July 2017)	0 of 0	0 of 0

Proceedings on behalf of company

No person has applied for leave of Court to bring proceedings on behalf of the company or 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 any part of those proceedings. The company was not a party to any such proceedings during the year.

Directors' report (continued)

The Directors received the following declaration from the Auditor of the company:

Auditors Independence Declaration

To the audit client

As Principal Auditor of Oak Flats Financial Services Ltd, for the year ended 30th June 2017, I declare that, to the best of my knowledge and belief, there have been:

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



.....
O'Donnell Hennessy & Co
Wollongong NSW

Signed in accordance with a resolution of the Board of Directors:



Geoff Egan
Chairman



Andy Zakelj
Director

Signed at Oak Flats on 16 November 2017

Financial statements

Statement of Comprehensive Income for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue	2	1,738,305	1,550,290
Gross profit		1,738,305	1,550,290
Employee benefits expense		(791,965)	(819,531)
Depreciation and amortisation		(51,210)	(38,667)
Administration and general costs		(222,678)	(207,370)
Finance costs		(13,310)	(19,337)
Bad and doubtful debts expense		(602)	(2,350)
Occupancy expenses		(69,546)	(69,507)
Marketing		(17,369)	(32,876)
IT costs		(42,096)	(44,816)
Profit / (loss) before charitable donations & sponsorships		529,528	315,836
Charitable donations and sponsorship		278,931	157,028
Profit / (loss) before income tax		250,597	158,808
Income tax expense / (benefit)		-65,811	-39,292
Operating profit after tax		184,786	119,516
Retained profit at beginning of the financial year		215,928	145,301
Total available for appropriation		400,714	264,817
Dividends provided for or paid	5	50,132	50,612
Other Income			1,722
Retained profits at the end of the financial year		350,582	215,928
Other comprehensive income:			
Other comprehensive income for the year, net of tax			
Total comprehensive income for the year		350,582	215,928
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	22	55	26
- diluted for profit / (loss) for the year	22	55	26

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Financial statements (continued)

Statement of Financial Position as at 30 June 2017

	Notes	2017 \$	2016 \$
Current assets			
Cash assets	6	283,026.80	182,279
Receivables	7	146,471.57	129,663
Other financial assets	8	83,338.68	83,339
Other	9	5,412.83	5,386
Total current assets		518,250	400,667
Non-current assets			
Property, plant and equipment	10	699,866.80	699,048
Intangible assets	11	57,627.50	79,910
Other	9	0	250
Total non-current assets		757,494	779,207
Total assets		1,275,744	1,179,874
Current liabilities			
Payables	12	27,109.70	41,816
Financial liabilities	13	1,541.04	0
Current tax liabilities	14	64,400.03	39,417
Total current liabilities		93,051	81,233
Non-current liabilities			
Financial liabilities	13	313,462.94	356,805
Provisions	15	67,540.93	74,801
Total non-current liabilities		381,004	431,605
Total liabilities		474,055	512,838
Net assets		801,690	667,036
Equity			
Contributed equity	16	451,108.00	451,108
Retained profits		350,581.54	215,928
Total equity		801,690	667,036

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Financial statements (continued)

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

	2017	2016
	\$	\$
Share capital		
Balance at start of year	451,108	451,108
Issue of share capital	-	-
Share issue costs	-	-
Balance at end of year	451,108	451,108
Retained earnings / (accumulated losses)		
Balance at start of year	215,927	145,301
Profit/(loss) after income tax expense	184,786	121,238
Dividends paid	(50,132)	(50,612)
Balance at end of year	350,581	215,927
Total equity	801,689	667,035

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Financial statements (continued)

Statement of Cash Flow for the year ended 30 June 2017

	2017 \$	2016 \$
Cash flow from operating activities		
Receipts from customers	1,714,221	1,530,940
Payments to Suppliers and employees	-1,453,825	-1,337,308
Interest received	0	162
Interest and other costs of finance	-13,310	-19,337
Dividends received	7,276	7,169
Income tax paid	-30,394	-28,115
Net cash provided by (used in) operating activities (Note 2)	223,968	153,511
Cash flow from investing activities		
Payment for:		
Loan other Debtors		
Shares in other companies		
Payments for Franchise fees		
Payments for property, plant and equipment	-29,747	0
net cash provided by (used in) investing activities	-29,747	0
Cash flow from financing activities		
Proceeds of borrowings		
Bank overdraft		
Loan repayments	-43,342	-37,318
Dividends paid	-50,132	-50,612
Net cash provided by (used in) financing activities	-93,474	-87,929
Net movement in cash	100,747	65,581
Net increase (decrease) in cash held	100,747	65,581
Cash at the beginning of the year	182,280	116,699
Cash at the end of the year (Note 1)	283,027	182,280

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Financial statements (continued)

	2017 \$	2016 \$
Note 1. Reconciliation of cash		
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.		
Cash at the end of year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash at bank - Oak Flats	0	8,817
Dividend account	3,722.86	3,243
Cash at bank - Shellharbour	24,310.85	62,723
Bendigo Bank expense account	384.53	1,597
Bendigo Eftpos Account	157.71	172
Bendigo Account - BO01	253,842.85	105,120
Cash on hand - Oak Flats	308.00	308
Cash on hand - Shellharbour	300.00	300
	283,027	182,279

Note 2. Reconciliation of net cash provided by/used in operating activities to net profit

Operating profit (loss) after tax	184,786	119,516
Depreciation	28,928	14,974
Amortisation	22,282	23,693
Interest		
Increase/(decrease) in provision for income tax	35,417	2,190
Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:		
(Increase) decrease in trade and term debtors	-15,446	-12,019
(Increase) decrease in other debtors	-1,362	0
(Increase) decrease in prepayments	223	-1,203
(Increase) decrease in Bank overdraft	1,541	0
Increase (decrease) in trade creditors and accruals	-3,118	-2,180
Increase (decrease) in other creditors	-11,588	11,958
Increase (decrease) in employee entitlements	-7,260	-14,023
Increase (decrease) in sundry provisions	-10,435	10,605
Net cash provided by operating activities	223,968	153,511

Notes to the financial statements

For year ended 30 June 2017

Note 1. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers Oak Flats Financial Services Ltd as an individual entity. Oak Flats Financial Services Ltd is a company limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

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

Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report

Income tax

Income tax has been brought to account using the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income, are brought to account as either provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

a) Plant and equipment

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining the recoverable amounts.

The cost of fixed assets constructed within Oak Flats Financial Services Ltd includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

Property, plant and equipment (continued)

b) Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to Oak Flats Financial Services Ltd commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to a depreciation charge. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of asset	Depreciation rate %
Leasehold improvements	10 %
Plant and equipment	10 - 30 %
Other plant and equipment	10 - 15 %

Leases

Lease payments under 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.

Investments

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for other non-listed investments.

The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

Intangibles

Establishment costs have been amortised over 15 years on a straight line rate. Franchise fees are amortised over the period of the franchise on a straight line amount of 20% per year.

Employee entitlements

Provision is made for the liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash out flows to be made for those entitlements.

Contributions are made by Oak Flats Financial Services Ltd to an employee superannuation fund and are charged as expenses when incurred.

Cash

For the purpose of the statement of cash flows, cash includes cash on hand and in all call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months, net of bank overdrafts.

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

Comparative figures

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

Revenue

Interest revenue is recognised on a proportional basis taking in to account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

	2017 \$	2016 \$
Note 2. Revenue		
Operating activities:		
Interest revenue		162
Dividend revenue	7,276	7,169
Other operating revenue:		
Gross receipts - Oak Flats	1,274,200	1,087,588
Gross receipts - Shellharbour	456,013	454,822
Insurance recoveries - Oak Flats	250	
Insurance recoveries - Shellharbour	566	550
Other income		1,722
	1,738,305	1,552,012
*Interest from:		
Bendigo and Adelaide Bank Limited	-	162
	-	162
**Dividends from:		
Bendigo and Adelaide Bank Limited	7,276	7,169
	7,276	7,169

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 3. Profit from ordinary activities		
Profit (loss) from ordinary activities before income tax has been determined after:		
Charginæense:		
Amortisation of non-current assets:		
- Preliminary expenses		
- Other intangibles	22,282	23,644
- Share issue expenses		-23,906
Total amortisation expenses	22,282	-262
Bad and doubtful debts	602	2,350
Borrowing costs:		
- Other persons	13,310	19,337
Total borrowing costs	13,912	21,687
Depreciation of non-current assets:		
- Buildings	171	190
- Plant and equipment	28,757	14,784
Total depreciation expenses	28,928	14,974

Note 4. Income tax

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

Prima facie income tax payable on operating profit at 27.5% (2016 28.5%). 68,914	45,260	
Add tax effect of:		
Imputation credit - Bendigo Bank shares	857	876
Amortisation - Oak Flats prior to blackhole writeoff provisions		14
Employee entitlements	-1,997	-3,997
Entertainment	1,154	81
Super paid - not cleared		130
	68,929	42,364
Less:		
Imputation credit	3,118	3,072
Income tax expense attributable to profit from ordinary activities	65,811	39,292

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 5. Dividends		
Dividends provided for or paid	50,132	50,612
	50,132	50,612

Note 6. Cash assets

Bank accounts:

Cash at bank - Oak Flats	0	8,817
Dividend account	3,722.86	3,243
Cash at bank - Shellharbour	24,310.85	62,723
Bendigo expenses account	384.53	1,597
Bendigo Eftpos account	157.71	172
Bendigo account - B001	253,842.85	105,120
Other cash items:		
Cash on hand - Oak Flats	308	308
Cash on hand - Shellharbour	300	300
	283,027	182,279

Reconciliation of cash:

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

- Cash	283,027	182,279
- Bank overdrafts (see also Note 13)	-1,541	
	281,486	182,279

Note 7. Receivables

Current

Trade debtors	145,109	129,663
Other loans	1,362	0
	146,472	129,663

Note 8. Other financial assets

Current

Shares in other corporations - at cost:

- Listed on a prescribed stock exchange	83,339	83,339
	83,339	83,339

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 9. Other assets		
Current		
Prepayments	5,413	5,386
	5,413	5,386
Non Current		
Preliminary expenses	106,650	106,650
Less: accumulated amortisation	-106,650	-106,650
Share issue expenses	23,956	23,956
Less: accumulated amortisation	-23,956	-23,956
Borrowing expenses		
Other	0	250
	0	250

Note 10. Property, plant and equipment

Buildings:

- At cost	632,690	632,690
- Less: Accumulated depreciation	-1,115	-944
	631,575	631,746

Leasehold improvements:

- At cost	351,703	325,408
- Less: Accumulated depreciation	-288,171	-264,084
	63,532	61,324

Plant and equipment:

- At cost	33,037	85,841
- Less: Accumulated depreciation	-28,278	-79,863
	4,759	5,978
	699,867	699,048

Note 11. Intangible assets

Other intangibles:

- At cost	161,411	161,411
- Less: Accumulated amortisation	-103,784	-81,501
	57,628	79,910
	57,628	79,910

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 12. Payables		
Unsecured:		
- Trade creditors	16,914	20,033
- Other creditors	10,196	21,784
	27,110	41,816

Note 13. Secured loans

Current

Bendigo Bank overdraft	1,541	0
	1,541	0

Non Current

Bendigo Bank	313,463	356,805
	313,463	356,805
Total Secured Loans	315,004	356,805

Note 14. Tax liabilities

Current

GST clearing	17,807	28,241
Taxation	46,593	11,176
	64,400	39,417

Note 15. Provisions

Non current

Employee entitlements*	67,541	74,801
	67,541	74,801
* Aggregate employee entitlements liability	67,541	74,801

There were 12 employees at the end of the year

Note 16. Contributed capital

459108 Ordinary shares at \$1.00 each fully paid	451,108	451,108
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Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. 'At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Notes to the financial statements (continued)

Note 17. Remuneration and retirement benefits

Directors' remuneration

Number of Directors whose income from the company or any related parties was within the following bands:

	No	No
\$ - 100	7	7
\$ 100 - 3,000		

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

Geoffrey Michael Egan	Chairman, Sponsorship, Remuneration, Business Development, Strategic
Michael Francis Gamble	Company Secretary, Governance, Remuneration, Strategic
Jennifer Marie Butler	Sponsorship, Audit, Strategic
Neil Greig	Business Development, Strategic
Dale Robert Whittaker	Marketing, Audit, Recruitment, Strategic
Vanessa Mitrevska	Marketing & Sponsorship, Strategic
Andy Zakelj	Marketing & Sponsorship, Strategic

Note 18. Superannuation commitments

The company has registered as an employer with the fund nominated by each employee. Contributions to the funds are based on a percentage of employees gross remuneration and are made by the employer. Contributions to the plan will not exceed the permitted levels prescribed by the income tax legislation from time to time

	2017	2016
	\$	\$

Note 19. Auditors' remuneration

Remuneration of the Auditor of the company for:

Auditing or reviewing the financial report	3,908	1,870
	3,908	1,870

Note 20. Contingent liabilities

In the opinion of the Directors there are no contingent liabilities at balance date.

Notes to the financial statements (continued)

Note 21. Related parties

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

Directors

Transactions with Directors:

Professional fees for share registry, dividend payment processing, office administration, taxation and accounting were paid to G.M. Egan & Co., of which Geoffrey Egan is the principal.

Secretarial Services are provided by Wavelength Secretarial Services Pty Ltd, of which Michael Gamble is a Director.

Building repairs, maintenance and minor construction is provided by Barton Construction Services, of which Terry Barton is the principal.

The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the Oak Flats and Shellharbour branches. There is no requirement to own BEN shares and there is no qualification to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders. The Directors have estimated the total benefits received from the Directors' Privilege Package to be minimal for the year ended 30 June 2016.

	2017 \$	2016 \$
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Note 22: Dividends paid or provided for on ordinary shares

(a) Previous year final

Franked dividends - 13 cents per share (2016: 11 cents per share)	50,132	50,612
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(b) Dividends proposed and not recognised as a liability

Franked dividends - 13 cents per share (2016: 11 cents per share)	59,684	50,612
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(c) Franking credit balance

The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year at 27.5%	164,839	153,416
- Franking debits that will arise from the Payment (refund) of income tax payable as at the end of the financial year	30,107.03	3,217
- Franking debits that will arise from the payment of dividends as at the end of the financial year	22,638.75	19,198

The tax rate at which dividends have been franked is 27.5% (2016: 28.5%).

Dividends proposed will be franked at a rate of 27.5% (2017: 27.5%).

Notes to the financial statements (continued)

	2017	2016
	\$	\$

Note 23. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

0.55	0.26
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The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit/(loss) after income tax expense	184,785.75	119,516
Weighted average number of ordinary shares for basic and diluted earnings per share	459,108	459,108

Note 24. Financial instruments

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 year end.

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

Note 25. Financial risk management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. This note presents information about the company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit committee which reports regularly to the Board. The Audit committee is assisted in the area of risk management by an internal audit function.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the company it arises from receivables and cash assets.

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of financial position and notes to the financial statements. The company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2017	2016
	\$	\$
Cash assets	283,027	182,279
Receivables	146,471	129,663
	429,498	311,942

Notes to the financial statements (continued)

Note 25. Financial risk management (continued)

(a) Credit risk (continued)

The company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the company are past due (2016: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due. The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	over 1 to 5 years \$	more than 5 years \$
30 June 2017					
Payables	27,110	-	27,110		-
Loans and borrowings	315,004	56,832	58,373	199,799	(0)
	342,114	56,832	85,483	199,799	(0)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company reviews the exposure to interest rate risk as part of the regular Board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the company's interest bearing financial instruments was:

	Carrying amount	
	2017	2016
	\$	\$
Fixed rate instruments		
Financial assets	0	0
Financial liabilities	0	0
	0	0

Notes to the financial statements (continued)

Note 25. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

	Carrying amount	
	2017	2016
	\$	\$
Variable rate instruments		
Financial assets	283,067	182,279
Financial liabilities	313,463	356,804
	(30,396)	(174,525)

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have minimal impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2017 there was also minimal impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

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

(e) 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 Statement of financial position.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

- (i) 20% of the profit or funds of the Franchisee otherwise available for distribution to
 - (a) shareholders in that 12 month period; and subject to the availability of distributable profits, the Relevant Rate of Return multiplied by
 - (b) the average level of share capital of the Franchisee over that 12 month period; and the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank
- (ii) 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.

There were no changes in the company's approach to capital management during the year.

Directors' declaration

In accordance with a resolution of the Directors of Oak Flats Financial Services Ltd we state that:

1. In the opinion of the Directors
 - a. The Statement of Financial Performance of the company is drawn up so as to give a true and fair view of the loss of the company for the financial year ended 30 June 2017;
 - b. The Statement of Financial Position is drawn up so as to give a true and Fair view of the state of affairs of the company as at 30 June 2017 and
 - c. At the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.
2. The company in respect of the financial year to which those accounts relate:
 - a. Has kept such accounting records as correctly record and explain the transactions and financial position of the company;
 - b. Has kept its accounting records in such a manner as would enable true and fair accounts of the company to be prepared from time to time; and
 - c. Has kept its accounting records in such manner as would enable the accounts of the company to be conveniently and properly audited in accordance with the Corporations Law.
3. The accounts to which this statement relates have been properly prepared by a competent person.

On behalf of the Board



Geoff Egan
Chairman



Andy Zakelj
Director

Signed at Oak Flats on 16 November 2017

Independent audit report

OAK FLATS FINANCIAL SERVICES LIMITED

ACN 093 057 768

Independent Audit Report to the Members of
Oak Flats Financial Services Limited

Report on the Financial Report

Opinion

We have audited the financial report of Oak Flats Financial Services Limited (the company), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion:

- a. the accompanying financial report of Oak Flats 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 financial performance for the year then ended; and
 - ii. complying with the International Accounting Standards, Australian Accounting Standards and the *Corporations Act 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 30 June 2017. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information 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, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors are responsible for assessing the ability of the company 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 to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities 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. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

Independent audit report (continued)

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Name of Firm: O'DONNELL HENNESSY & CO

Name and Signature of Principal Auditor:



Angela Wang

Address: WOLLONGONG

Dated this

16th

day of November 2017

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