



Annual Report 2017

Blackburn District
Financial Services Limited

ABN 67 106 202 304

Blackburn South **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2017

For thirteen years we have been serving the local Blackburn South community delivering banking services and supporting the wider Whitehorse community through delivering much needed funds with sponsorship and grants. While banking continues to evolve and the way many people access their funds change, customer interactions with our branch remain strong. As our shareholders well know, we deliver a full range of banking services with the highest levels of personal care and will continue to do so into the future.

This past financial year we provided \$56,110 in sponsorship to our community, up 18% on the previous financial year, allocated \$45,454 to the Bendigo Bank's Community Enterprise Foundation™ for future community grants, up 67% on the previous year, and paid \$65,701 to our shareholders, most of whom live locally.

Financially the year has been our most successful to date with a profit after income tax expenses of \$142,579, up \$33,573 or 31% from last year's \$109,006. An outstanding result given the introduction by the Bendigo Bank of the funds transfer pricing model that had the potential of a negative impact on our income. The strength of our result is in no small measure due to our Manager Peter Grierson's excellent year in writing business ably supported by the branch staff.

We acknowledge three retirements from the Board during the year. Susi Hammond our Treasurer and Greg Malone Chair of our Governance Committee have both retired after many years of invaluable service. Urania Ftiakas who headed Human Resources retired due to an increased work load in her day job, but was able to set in place some important HR practices and policies. We thank them most sincerely for their contributions.

While one door closes another opens. We are pleased to announce a number of new Directors who bring to the Board immense skill and talent as well as high levels of local community engagement. Peter Enlund a former CFO in the University sector. David Spong the CFO of a global telecommunications company. Dan Watts work in corporate finance in an international resources company. Sophie Valkan is legally qualified and CEO of a statewide organisation. With such great skill and energy I look forward to a successful year ahead.

I would like to acknowledge the outstanding work of our Company Secretary, Larissa (Lara) Evans who for over three years now has served the Board exceptionally well and makes my task of Chairman that much easier.

While in the 2017 we did not fill the role of Youth Observer, in 2016 Laura Brooks held this position which had her participate at Board level and at various events. Laura brought a much needed youthful perspective to your Board.

Last but not least I would like to thank our Branch Manager Peter Grierson and our award winning branch staff for their continuing contribution to both our branch and our local community. I am confident that we continue to offer the best personal service in banking to be found in across our municipality.



Andrew Munroe
Chairman

Manager's report

For year ending 30 June 2017

The financial year ending 30 June 2017 was a good one for Blackburn South **Community Bank**[®] Branch.

In May 2017, for the first time, we surpassed \$150 million of total business; this figure is made up of \$60 million in lending and \$90 million in deposits. Over the course of the financial year our business grew by \$21 million and our team is now looking after approximately 3,700 customers.

I would very much like to thank all our team for the hard work achieving this terrific result, our Customer Relationship officers, Lauren and Corey and our Customer Service officers, Rosa, Kelly and Marcy. Last but not least a big thank you to Adrienne who helps us out on our busy Saturday mornings.

If you haven't done so already, I urge you to come in and have a chat to our staff about your banking needs. I have no doubt you will be pleasantly surprised with the service you receive and the extent of the banking services we have available to you.

I would also like to thank Andrew and our Board of Directors for their support, time and effort in helping make the Blackburn South **Community Bank**[®] Branch one of the most successful **Community Bank**[®] branch sites in the Eastern suburbs. Your dedication to community is appreciated by the staff.

Last but not least, I would like to thank you our shareholders it is your support that has made us what we are today.



Peter Grierson
Branch Manager

Blackburn District Financial Services Limited community contributions and promotion

	2015/16		2016/17	
	Actual \$	Budget \$	Actual \$	Budget \$
Advertising	950.00	3,000.00	8,403.33	20,000.00
Community Grants	27,272.73	-	45,454.55	25,000.00
Donations	20.00	-	150.00	-
Marketing	1,883.07	20,500.00	10,395.45	5,500.00
Sponsorship	47,387.57	56,052.00	56,110.07	57,000.00
	77,513.37	79,552.00	120,513.40	107,500.00

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:

Andrew Stephen Munroe

Chairman

Occupation: Telecommunications Engineer

Qualifications, experience and expertise: Holds a Bachelor of Business Royal Melbourne Institute of Technology. Past executive member and Treasurer of a range of community organisations, many local to the catchment area of Blackburn South. Past and founding member of the Victorian Amputee and Disabled Skiers Association (now Wintersports). Over eight years experience as a local government Councillor with the City of Whitehorse, including serving as the city's 2012/13 & 2014/2015 Mayor.

Special responsibilities: Governance Committee

Interest in shares: 1,001

Diane Elizabeth Fisher

Deputy Chair

Occupation: Change Manager

Qualifications, experience and expertise: Principal – The Balance Approach Pty Ltd. Diane has over 20 years consulting experience with a range of industries from financial services, logistics and transport and health care delivery. Diane has lived in the City of Whitehorse for almost 30 years. Diane serves on the Eastern Health Community Advisory Committee, and is a member of the Expert Advisory Committee for Cognition, Mobility and Continence. Diane is a member of the Rotary Club of Templestowe, with responsibility for leadership and training programs within the area known as Rotary District 9810.

Special responsibilities: Community Engagement Committee

Interest in shares: 1,000

Jason Alexander Talbot

Treasurer

Occupation: Consultant - Governance, Strategy and Finance

Qualifications, experience and expertise: Holds a Bachelor of Science, PhD, Graduate Diploma in Accounting and Master of Applied Finance. A member of the Institute of Chartered Accountants Australia and New Zealand and a Graduate member of the Australian Institute of Company Directors. Has over 20 years experience with a variety of organisations, including Ernst & Young, National Australia Bank and PricewaterhouseCoopers. Currently runs an independent consulting group - Graphite i2i.

Special responsibilities: Finance Committee

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Elizabeth Mary Stinson

Director

Occupation: Retired

Qualifications, experience and expertise: Holds Bachelors of Biology and Education, Masters of Zoology, Education, Human Nutrition, and a Master of Business Administration (MBA). Graduate member of the Australian Institute of Company Directors, having completed the Company Directors Course in 2012 and maintained professional accreditation since then. Over 20 years experience in organisational management and leadership in community services, and higher education in Australia. Over 15 years experience on Boards and community-based committees of management in Victoria and South Australia. Member of the Board of Community Housing (Victoria) Ltd since 2013 and Chair of the Audit and Risk Committee. Member of the Board of Phillip Island Nature Parks since 2015, Chair of the People of Remuneration Sub-committee and Chair of the Science and Research Advisory Committee.

Special responsibilities: Chair of the Community Engagement Committee

Interest in shares: Nil

David Stewart Spong

Director (Appointed 1 July 2016)

Occupation: Director of Finance and Business Services

Qualifications, experience and expertise: David is the Australia and New Zealand CFO and Director of Finance and Business Services for Ericsson, working for both the Australian subsidiary and the parent company, LM Ericsson, since 1997. David's roles have included General Manager Finance, CFO & Finance Director (Saudi Arabia) and Group Business Controller for the Global Ericsson Organization. David has over twenty-five years corporate, SME and not-for-profit experience and has worked in Sweden, Saudi Arabia, United Arab Emirates and Australia. Outside his executive career, David has been actively involved in local community not for profit organizations along with a strong engagement with CPA Australia Limited having held the role of Deputy Victorian President in 2014 and Non-Executive Director from 2014 to 2017. In addition to David's CPA involvement he is a member of the RMIT School of Accounting advisory board and has been approached by The Prince's Accounting for Sustainability Project to assist in determining the viability of the establishment of an Australian and New Zealand chapter for this key focus area of the Prince of Wales. David is the treasurer of the 1st / 8th Blackburn Scout Group. He holds a Bachelor of Business, FCPA (CPA Australia), GAICD (Australian Institute of Company Directors).

Special responsibilities: Chair of the Governance Committee

Interest in shares: Nil

Peter John Enlund

Director (Appointed 1 July 2016)

Occupation: Retired Chartered Accountant

Qualifications, experience and expertise: Fellow of the Institute of Chartered Accountants Australia and New Zealand, admitted in 1977. Currently undertaking a Bachelor of Arts degree at Monash University. Active member of the Rotary Club of Box Hill Central and a Rotarian for over 29 years. Treasurer of two not-for-profit entities 2015 – 2017. Peter has extensive experience in Australia and USA in a range of executive and Board positions such as Chief Operating Officer, Chief Financial Officer, Group General Manager – Finance and Administration and Company Secretary in a variety of businesses, including four Australian universities, two ASX-listed companies and Divisions of a major Australian ASX-listed manufacturer.

Special responsibilities: Governance Committee, Human Resources Committee

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Daniel Robert Watts

Director (Appointed 21 April 2017)

Occupation: Finance Manager

Qualifications, experience and expertise: Dan has a finance, accounting, and reporting background. Dan is presently a finance manager with BHP and has led group-level financial accounting, management accounting, tax accounting, and finance project teams over the past six years. Prior to BHP, Dan was a manager in the assurance and advisory service line of Deloitte in Australia and Canada. Dan is presently President of Blackburn Lake Primary School Council and is actively involved in a number of community clubs.

Special responsibilities: Finance Committee

Interest in shares: Nil

Sophie Valkan

Director (Appointed 22 June 2017)

Occupation: Non-Executive Director

Qualifications, experience and expertise: GAICD, LLB, B.Com, GradDip CSP, CPA. Sophie has been in director roles since 1990, having fully transitioned to a non-executive director career more recently after a career in law followed by 20 years in business leadership roles across widely diverse industries. She has a consulting practice targeting large small businesses transitioning to small large business, helping entrepreneurs and business leaders through this difficult organisational growth phase. Her current board and advisory board roles include Lexvoco, Eastern Victoria General Practitioners Training, Sitless Desks and Quadvest Property, amongst others. In her board and executive roles, Sophie has spanned the full range of organisations, from the second largest corporation in the world through to a Federal Government Business Enterprise, SMEs, and small start-ups in industries ranging from banking, finance, utilities and infrastructure, transport, retail, franchising, automotive, medical, legal, not for profit and other industries including digital disruptors in traditional industries.

Special responsibilities: Governance Committee

Interest in shares: Nil

Susane Manuella Hammond

Treasurer (Resigned 24 November 2016)

Occupation: Chief Finance Officer

Qualifications, experience and expertise: Holds a Bachelor of Business (Accounting) with 20 years experience as an accountant. Currently Chief Finance and Operations Officer and Company Secretary of Summer Foundation Ltd. Previously employed at SWA Corporate Human Resources, Toll Holdings Ltd and Sainsbury's (UK). Previously a President of the P&F of Taralye and heavily involved in the Blackburn Cricket and Football Clubs.

Special responsibilities: Treasurer and Chair of the Finance Committee until resignation

Interest in shares: 1

Gregory Russell Malone

Director (Resigned 31 December 2016)

Occupation: Business owner

Qualifications, experience and expertise: MBA. 30 years management experience in local and off shore multinational businesses across, Automotive, Building Products, FMCG and Packaging. Board experience in Education, FMCG, industry Associations and Consulting businesses. Owner operator of Melbourne Milling Involved in community through Box Hill TAFE, Lifesaving, Judo and kids basketball and netball.

Special responsibilities: Chair of the Governance Committee until resignation

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Urania Ftiakis

Director (Resigned 13 April 2017)

Occupation: Human Resources Director

Qualifications, experience and expertise: Holds an MBA, is a Graduate member of the Australian Institute of Company Directors, and a Fellow of the Australian Human Resources Institute. Almost 30 years of experience in all areas of Human Resources, holding several executive level leadership roles within the Manufacturing and Professional Services industries at Amcor and Crowe Horwath. Currently employed at Cummins South Pacific as the HR Director for the South Pacific Region.

Special responsibilities: Human Resources Committee

Interest in shares: Nil

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

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

Company Secretary

The company secretary is Larissa Jane Evans. Larissa was appointed to the position of secretary on 16 January 2014.

Larissa has resided in the area for over 18 years and is involved in many local sporting clubs.

Principal Activities

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

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

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 \$
142,579	109,006

Dividends

	Year ended 30 June 2017	
	Cents	\$
Dividends paid in the year	10	65,701

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.

Directors' report (continued)

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 21 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended	
	Eligible	Attended
Andrew Stephen Munroe	9	9
Diane Fisher	9	9
Jason Alexander Talbot	9	6
Elizabeth Mary Stinson	9	8
David Stewart Spong (Appointed 1 July 2016)	9	9
Peter John Enlund (Appointed 1 July 2016)	9	8
Daniel Robert Watts (Appointed 21 April 2017)	3	3
Sophie Valkan (Appointed 22 June 2017)	1	1
Susane Manuella Hammond (Resigned 25 November 2016)	4	4
Gregory Russell Malone (Resigned 31 December 2016)	4	3
Urania Ftiakis (Resigned 13 April 2017)	6	5

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.

Directors' report (continued)

Non audit services

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

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

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

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

Auditor's independence declaration

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

Signed in accordance with a resolution of the board of directors at Blackburn, Victoria on 20 September 2017.



Andrew Stephen Munroe,
Chairman

Auditor's independence declaration



Chartered Accountants

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

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Blackburn District Financial Services Limited

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 20 September 2017

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

David Hutchings
Lead Auditor

Taxation | Audit | Business Services

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

Financial statements

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

	Notes	2017 \$	2016 \$
Revenue from ordinary activities	4	977,438	866,914
Employee benefits expense		(432,470)	(402,878)
Charitable donations, sponsorship, advertising and promotion		(120,513)	(81,244)
Occupancy and associated costs		(67,058)	(64,459)
Systems costs		(17,703)	(17,157)
Depreciation and amortisation expense	5	(22,822)	(23,866)
Finance costs	5	(15)	(511)
General administration expenses		(117,645)	(121,570)
Profit before income tax expense		199,212	155,229
Income tax expense	6	(56,633)	(46,223)
Profit after income tax expense		142,579	109,006
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		142,579	109,006
Earnings per share		¢	¢
Basic earnings per share	21	21.70	16.59

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	617,622	517,549
Trade and other receivables	8	100,242	89,981
Total Current Assets		717,864	607,530
Non-Current Assets			
Property, plant and equipment	9	126,520	131,794
Intangible assets	10	23,989	37,731
Deferred tax asset	11	4,136	3,293
Total Non-Current Assets		154,645	172,818
Total Assets		872,509	780,348
LIABILITIES			
Current Liabilities			
Trade and other payables	12	39,652	49,939
Current tax liabilities	11	21,935	8,590
Provisions	13	40,436	19,914
Total Current Liabilities		102,023	78,443
Non-Current Liabilities			
Provisions	13	6,768	15,065
Total Non-Current Liabilities		6,768	15,065
Total Liabilities		108,791	93,508
Net Assets		763,718	686,840
Equity			
Issued capital	14	464,870	464,870
Retained earnings	15	298,848	221,970
Total Equity		763,718	686,840

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 \$	Retained earnings \$	Total equity \$
Balance at 1 July 2015	464,870	178,665	643,535
Total comprehensive income for the year	-	109,006	109,006
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(65,701)	(65,701)
Balance at 30 June 2016	464,870	221,970	686,840
Balance at 1 July 2016	464,870	221,970	686,840
Total comprehensive income for the year	-	142,579	142,579
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(65,701)	(65,701)
Balance at 30 June 2017	464,870	298,848	763,718

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		1,045,541	932,672
Payments to suppliers and employees		(842,526)	(779,162)
Interest received		10,711	12,701
Interest paid		(15)	(511)
Income taxes paid		(44,131)	(13,154)
Net cash provided by operating activities	16	169,580	152,546
Cash flows from investing activities			
Payments for property, plant and equipment		(3,806)	(213)
Net cash used in investing activities		(3,806)	(213)
Cash flows from financing activities			
Dividends paid		(65,701)	(65,701)
Net cash used in financing activities		(65,701)	(65,701)
Net increase in cash held		100,073	86,632
Cash and cash equivalents at the beginning of the financial year		517,549	430,917
Cash and cash equivalents at the end of the financial year	7(a)	617,622	517,549

The accompanying notes form part of these financial statements.

Notes to the financial statements

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

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

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

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

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

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

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

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

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

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

b) Revenue

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

Revenue calculation

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Commission

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

Fee income

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

Discretionary financial contributions

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

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

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

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

Ability to change financial return

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

- leasehold improvements 40 years
- plant and equipment 2.5 - 40 years
- furniture and fittings 4 - 40 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.

Notes to the financial statements (continued)

Note 2. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value.

The company is not exposed to commodity price risk.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2017 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

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.

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.

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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

	2017	2016
	\$	\$

Note 4. Revenue from ordinary activities

Operating activities:

- gross margin	822,584	580,291
- services commissions	66,331	163,693
- fee income	59,517	61,457
- market development fund	18,750	50,000
Total revenue from operating activities	967,182	855,441

Non-operating activities:

- interest received	10,256	11,473
Total revenue from non-operating activities	10,256	11,473
Total revenues from ordinary activities	977,438	866,914

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	1,316	1,960
- furniture and fittings	121	129
- leasehold improvements	7,642	8,034

Amortisation of non-current assets:

- franchise agreement	2,291	2,291
- franchise renewal fee	11,452	11,452
	22,822	23,866

Finance costs:

- interest paid	15	511
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Bad debts	1,293	339
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Loss on disposal of asset	-	1,345
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Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 6. Income tax expense		
The components of tax expense comprise:		
- Current tax	57,476	40,596
- Movement in deferred tax	(843)	9,615
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	120
- Under/(Over) provision of tax in the prior period	-	(4,108)
	56,633	46,223

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

Operating profit	199,212	155,229
Prima facie tax on profit from ordinary activities at 27.5% (2016: 28.5%)	54,784	44,241
Add tax effect of:		
- non-deductible expenses	1,848	2,451
- timing difference expenses	844	(6,096)
	57,476	40,596
Movement in deferred tax	(843)	9,615
Adjustment to deferred tax to reflect change of tax rate in future periods	-	120
Under/(Over) provision of income tax in the prior year	-	(4,108)
	56,633	46,223

Note 7. Cash and cash equivalents

Cash at bank and on hand	193,733	104,369
Term deposits	423,889	413,180
	617,622	517,549

(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	193,733	104,369
Term deposits	423,889	413,180
	617,622	517,549

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 8. Trade and other receivables		
Trade receivables	84,816	70,152
Prepayments	11,160	15,107
Other receivables and accruals	4,266	4,722
	100,242	89,981

Note 9. Property, plant and equipment

Leasehold improvements		
At cost	217,925	215,789
Less accumulated depreciation	(104,451)	(96,809)
	113,474	118,980
Plant and equipment		
At cost	47,944	46,275
Less accumulated depreciation	(35,573)	(34,257)
	12,371	12,018
Furniture and fittings		
At cost	3,797	3,797
Less accumulated depreciation	(3,122)	(3,001)
	675	796
Total written down amount	126,520	131,794
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	118,980	128,359
Additions	2,136	-
Disposals	-	(1,345)
Less: depreciation expense	(7,642)	(8,034)
Carrying amount at end	113,474	118,980
Plant and equipment		
Carrying amount at beginning	12,018	13,765
Additions	1,669	146
Disposals	-	-
Less: depreciation expense	(1,316)	(1,893)
Carrying amount at end	12,371	12,018

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 9. Property, plant and equipment (continued)		
Furniture and fittings		
Carrying amount at beginning	796	925
Additions	-	-
Disposals	-	-
Less: depreciation expense	(121)	(129)
Carrying amount at end	675	796
Total written down amount	126,520	131,794

Note 10. Intangible assets

Franchise fee		
At cost	82,930	82,930
Less: accumulated amortisation	(78,921)	(76,631)
	4,009	6,299
Renewal processing fee		
At cost	114,645	114,645
Less: accumulated amortisation	(94,665)	(83,213)
	19,980	31,432
Total written down amount	23,989	37,731

Note 11. Tax

Current:

Income tax payable	21,935	8,590
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Non-Current:

Deferred tax assets		
- accruals	743	908
- employee provisions	12,981	9,619
	13,724	10,527

Deferred tax liability		
- accruals	1,175	1,299
- property, plant and equipment	8,413	5,935
	9,588	7,234
Net deferred tax asset	4,136	3,293

Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(843)	9,735
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Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 12. Trade and other payables		
Current:		
Trade creditors	10,153	10,002
Other creditors and accruals	29,499	39,937
	39,652	49,939

Note 13. Provisions

Current:		
Provision for annual leave	20,262	15,310
Provision for long service leave	20,174	4,604
	40,436	19,914
Non-Current:		
Provision for long service leave	6,768	15,065

Note 14. Contributed equity

657,010 ordinary shares fully paid (2016: 657,010)	657,010	657,010
Less: equity raising expenses	(27,887)	(27,887)
Less: return of capital (2009)	(59,131)	(59,131)
Less: return of capital (2010)	(59,131)	(59,131)
Less: return of capital (2011)	(45,991)	(45,991)
	464,870	464,870

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.

Notes to the financial statements (continued)

Note 14. Contributed equity (continued)

Rights attached to shares (continued)

(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 they control or own 10% or more of the shares in the company (the "10% limit").

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

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

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

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

	2017	2016
	\$	\$
Note 15. Retained earnings		
Balance at the beginning of the financial year	221,970	178,665
Net profit from ordinary activities after income tax	142,579	109,006
Dividends paid or provided for	(65,701)	(65,701)
Balance at the end of the financial year	298,848	221,970

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 16. Statement of cash flows		
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	142,579	109,006
Non cash items:		
- depreciation	9,079	10,123
- amortisation	13,743	13,743
- loss on disposal of asset	-	1,345
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(10,261)	(12,770)
- (increase)/decrease in other assets	(843)	24,480
- increase/(decrease) in payables	(10,287)	10,713
- increase/(decrease) in provisions	12,225	(12,684)
- increase/(decrease) in current tax liabilities	13,345	8,590
Net cash flows provided by operating activities	169,580	152,546

Note 17. Leases

Operating lease commitments

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

Payable - minimum lease payments:

- not later than 12 months	44,583	43,284
- between 12 months and 5 years	37,152	79,354
- greater than 5 years	-	-
	81,735	122,638

The rental lease agreement on the branch premises is a non-cancellable lease with a five year term, with rent payable monthly in advance. The current lease is due for renewal on 5 April 2019, with one further option for a 5 year term available.

Note 18. 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	5,745	2,857
- other non audit services	2,390	4,522
	12,335	11,479

Notes to the financial statements (continued)

Note 19. Director and related party disclosures

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

Andrew Stephen Munroe
 Diane Fisher
 Jason Alexander Talbot
 Elizabeth Mary Stinson
 David Stewart Spong (Appointed 1 Jul 2016)
 Peter John Enlund (Appointed 1 Jul 2016)
 Daniel Robert Watts (Appointed 21 April 2017)
 Sophie Valkan (Appointed 22 June 2017)
 Susane Manuella Hammond (Resigned 24 Nov 2016)
 Gregory Russell Malone (Resigned 31 Dec 2016)
 Urania Ftiakis (Resigned 13 April 2017)

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

	2017	2016
Directors' Shareholdings		
Andrew Stephen Munroe	1,001	1,001
Diane Fisher	1,000	1,000
Jason Alexander Talbot	-	-
Elizabeth Mary Stinson	-	-
David Stewart Spong (Appointed 1 Jul 2016)	-	-
Peter John Enlund (Appointed 1 Jul 2016)	-	-
Daniel Robert Watts (Appointed 21 April 2017)	-	-
Sophie Valkan (Appointed 22 June 2017)	-	-
Susane Manuella Hammond (Resigned 24 Nov 2016)	1	1
Gregory Russell Malone (Resigned 31 Dec 2016)	-	-
Urania Ftiakis (Resigned 13 April 2017)	-	-

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

	2017 \$	2016 \$
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Note 20. Dividends paid or provided

(a) Dividends paid during the year

Current year dividend		
100% (2016: unfranked) unfranked dividend - 10 cents (2016: 10 cents) per share	65,701	65,701

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 20. Dividends paid or provided (continued)		
(b) Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	143,530	124,590
- franking credits that will arise from payment of income tax as at the end of the financial year	21,935	8,590
- 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:	165,465	133,180
- 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	165,465	133,180

Note 21. Key management personnel disclosures

The directors received remuneration including superannuation, as follows:

Andrew Stephen Munroe	4,000	4,000
Diane Fisher	2,000	2,000
Jason Alexander Talbot	3,000	2,000
Elizabeth Mary Stinson	2,000	2,000
David Stewart Spong (Appointed 1 Jul 2016)	2,000	-
Peter John Enlund (Appointed 1 Jul 2016)	2,000	-
Daniel Robert Watts (Appointed 21 April 2017)	333	-
Sophie Valkan (Appointed 22 June 2017)	-	-
Susane Manuella Hammond (Resigned 25 Nov 2016)	1,250	3,000
Gregory Russell Malone (Resigned 31 Dec 2016)	1,000	2,000
Urania Ftiakis (Resigned 13 April 2017)	1,666	2,000
	19,249	17,000
Andrew Munroe was also reimbursed for newsletter expenses incurred on behalf of the company.	449	-

Notes to the financial statements (continued)

	2017	2016
	\$	\$
Note 21. Earnings per share		
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	142,579	109,006

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	657,010	657,010

Note 22. 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 23. 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 24. Segment reporting

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

Note 25. 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
1/134 Canterbury Road
Blackburn South VIC 3130

Principal Place of Business
1/134 Canterbury Road
Blackburn South VIC 3130

Notes to the financial statements (continued)

Note 26. 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	193,115	103,483	423,889	413,180	-	-	-	-	618	886	1.74	2.32
Receivables	-	-	-	-	-	-	-	-	84,816	70,152	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	10,153	10,002	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

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.

Notes to the financial statements (continued)

Note 26. Financial instruments (continued)

Sensitivity Analysis (continued)

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%	6,170	5,167
Decrease in interest rate by 1%	(6,170)	(5,167)
Change in equity		
Increase in interest rate by 1%	6,170	5,167
Decrease in interest rate by 1%	(6,170)	(5,167)

Directors' declaration

In accordance with a resolution of the directors of Blackburn District 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.



Andrew Stephen Munroe,
Chairman

Signed on the 20th of September 2017.

Independent Auditor's 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 Blackburn District Financial Services Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Blackburn District 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

Blackburn District 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 Auditor's 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: 20 September 2017



David Hutchings
Lead Auditor

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