

# Sanctuary Point & Districts Community Bank® Branch



## annual report 2017



Bay & Basin Community  
Financial Services Limited  
ABN 62 105 756 063



# annual report 2017

<b>Chair's report</b>	<b>2</b>	<b>Notes to the financial statements</b>	<b>18</b>
<b>Governance and Audit Committee report</b>	<b>4</b>	Note 1. Summary of Significant Accounting Policies	18
<b>Manager's report</b>	<b>6</b>	Note 2. Financial Risk Management	22
<b>Bendigo &amp; Adelaide Bank report</b>	<b>8</b>	Note 3. Critical Accounting Estimates and Judgements	23
<b>Sponsorships/grant allocations</b>	<b>9</b>	Note 4. Revenue from Ordinary Activities	24
		Note 5. Expenses	24
		Note 6. Income Tax Expense	25
<b>Financial statements as at 30 June 2017</b>		Note 7. Cash and Cash Equivalents	25
<b>Directors' report</b>	<b>10</b>	Note 8. Trade and Other Receivables	25
<b>Auditor's independence declaration</b>	<b>14</b>	Note 9. Property, Plant and Equipment	26
<b>Statement of Profit or Loss and Other Comprehensive Income</b>	<b>15</b>	Note 10. Intangible Assets	27
<b>Balance sheet</b>	<b>16</b>	Note 11. Tax	27
<b>Statement of changes in equity</b>	<b>17</b>	Note 12. Trade and Other Payables	28
<b>Statement of cashflows</b>	<b>17</b>	Note 13. Provisions	28
<b>Directors' declaration</b>	<b>34</b>	Note 14. Contributed Equity	28
<b>Independent auditor's report</b>	<b>35</b>	Note 15. Accumulated Losses	30
		Note 16. Statement of Cashflows	30
		Note 17. Leases	30
		Note 18. Auditors' Remuneration	31
		Note 19. Director and Related Party Disclosures	31
		Note 20. Dividends Paid or Provided	32
		Note 21. Key Management Personnel Disclosures	32
		Note 22. Earnings Per Share	32
		Note 23. Events Occurring After the Balance Sheet Date	32
		Note 24. Contingent Liabilities and Contingent Assets	32
		Note 25. Segment Reporting	33
		Note 26. Registered Office/Principal Place of Business	33
		Note 27. Financial Instruments	33

# chair's report



## INTRODUCTION

It is my pleasure to present this report on matters related to the Bay & Basin Community Financial Services Limited (BBCFSL) and its performance for the year ended 30<sup>th</sup> June, 2017 – to our shareholders, my fellow Board members and our partners.

## CORPORATE AFFAIRS

The Sedgwick Report which made a series of recommendations to all Banks in Australia was passed to our Board and strongly suggested that we advise our shareholders on the manner in which staff are remunerated, and their performance assessed. This is to ensure that effective, safe channels are in place to obtain feedback from frontline staff about their perception of the effectiveness in reforming the bank's culture, performance management and remuneration arrangement. The foregoing was contained in Recommendation 3 of the report. After careful consideration of the report, it is concluded that we are compliant with all aspects of the report into remuneration of banking staff and we will continue to monitor over the coming 5 years.

## SHAREHOLDERS' DIVIDENDS

Once again the Board has been able to approve the payment of a fully franked dividend of 4.5 cents per Fully Paid \$1.00 share at the Board meeting held 26<sup>th</sup> June, 2017.

I would like to acknowledge the work done by Allen Kruse as Treasurer, who took on the task and performed admirably. The decision to appoint Lori Hambridge, our Bookkeeper as replacement Treasurer was an easy decision to make. As the bookkeeper, Lori was already aware of the processes and has been able to step into the role with alacrity.

## THE BRANCH

Our Branch has continued to play a vital role in the community, working with Bendigo Bank to ensure a continuation of service to customers, new and current. Our staff are an integral part of this service and make our customers feel welcome each time they enter the building.

They continue to act as responsible members of the community, attending events at various schools in the area, careers markets, the River festival and the annual community festival.

Two of our trainees have completed their time with us, with one moving to Western Australia with her partner, another going onto other employment and seeing the recruitment of another two young people to train at the Branch.

We are very proud of the manner in which we have been able to train a number of young people who will undoubtedly

go on to permanent employment as very desirable employees.

It has been sad to lose a long term member, but good to see another employee step up and train to take on that role.

As always, I must commend and thank our Manager, Keith Robinson who has been such an amazing mentor to the young employees, and who has been able to maintain such a high level of service while we have had some serious illnesses with staff members.

I do not believe that any person entering the Branch during this time would have been aware of the stress which has been a daily test for our staff.

## BOARD MEMBERSHIP

We have been able to secure some extremely talented new Directors, David Walsh and Foty Loupos and the return of Ian MacKelden, while retaining the strength of existing Directors.

Allen Kruse made the decision to not continue as Treasurer but remains a strong and committed Director.

Michelle Miran made the decision to exit the Board in 2017 and we thank her for her commitment to the Board while a Director.

We have been able to see our Board become part of a Shoalhaven Cluster of Branches, with Nowra, Milton and Sussex Inlet. Bendigo formalised what we had done on our own, as we understood that as 4 separate Branches in the Shoalhaven we had common interests, goals and challenges.

This group meets each 3 months, varying meeting places so travel and organisation is shared.

We have been able to have funds allocated to allow for group marketing exercises with a Marketing person from each Branch forming a sub-committee.

We have been able to become more pro-active with our ideas and plans for the future.

## COMMUNITY SUPPORT

Unfortunately, the Shoalhaven Business Chamber made the decision to not support local business chambers and withdrew their support.

The Bank is in the process of reinvigorating this by contacting local businesses and establishing our own group which will work in the best interests of local businesses and not for profit groups.

We have been fortunate in securing the assistance of Shoalhaven City Council who have allowed a representative of the Economic Division to be our 'on call' person who will be very helpful in this endeavour.

The Board has continued to provide grants and sponsorships, the details of which can be found in the Annual Report. Included in this amount is the sum of \$40,000 which has been paid into the Community Enterprise Foundation for use in future community grants.

The fitness station at Plantation Point, Vincentia is now complete and well used by members of the area. Thanks to Council and the Veolia Mulwaree Trust for their assistance in this project.

We have also recently made a grant to the Jervis Bay Maritime Museum for the refurbishment of 'The Crest' a heritage boat which will be an asset to the Museum and take our sponsorships right across the Bay & Basin area.

From this year, we will see a change to the way in which we conduct the scholarship program by offering one per year, rather than 2 every other year. We approached the local Principal who felt this was a fairer way to award scholarships. Every scholarship to date has benefited a pupil from Vincentia High School. This is a tribute to the school, its Principal, teachers and students.

We continue to work successfully with our partners, Shoalhaven City Council, Sanctuary Point Community Pride and BBCR.

### **COMMUNITY MAGAZINE**

The About magazine has undergone some revamping, and continues to provide information to the residents of the area. We have seen photographic competitions, family history, a continuation of the articles by John Blackmore which have graced the pages of the magazine since its inception. I have been fortunate to be able to re-read some of these articles which provide an interesting insight into the area.

We have also had some young people submitting articles which broadens our appeal across the ages.

Michelle Graham from Sanctuary Point Printing continues her excellent work and Lori Hambridge, our Bookkeeper takes good care of the accounting side.

### **GOVERNANCE**

Further to discussions re the Sedgwick Report, some banks, usually the smaller, maintain that their culture is ethical with more value for customer driven than sales driven. Bendigo Bank has a strong affinity to particular customer groups or regions. We will continue to ensure that we maintain these values.

Part of the Board's role is to ensure we comply with all of the regulations of ASIC. Geoffrey Ellison, Deputy Chair has this responsibility and will be ably assisted by David Walsh, one of our new Directors.

We are in the process of attempting to have annual reports sent by electronic mail. This will assist in the reduction of costs and bring us into line with so many other corporations which operate in a similar way.

### **CONCLUSION**

In concluding my report, I thank all Board members for their ongoing contribution to the company's operations, both in the Boardroom, in training sessions, at committee level and at functions to which we may be invited.



**Veronica Husted**  
Chairperson

# governance & audit committee report



## OPERATING AND FINANCIAL REVIEW (OFR)

Pursuant to a Regulatory Guide 247, Effective Disclosure in an operating and financial review, issued by The Australian Securities & Investments Commission (ASIC) this review is provided to further inform shareholders.

In the 2016 Annual Report reference was made to several challenges facing your Directors in that year. Following is a summary of the current position regarding those matters.

### COST OF FUNDS.

Bendigo & Adelaide Bank Limited (“BEN”) have continued to introduce **FUNDS TRANSFER PRICING (FTP)**, however BBCFSL pursuant to its current Franchise Agreement, has declined to accept FTP.

### FRANCHISE AGREEMENT.

As BBCFSL moves closer to renewing its Franchise Agreement, which expires in April 2019, it is anticipated that BEN will insist on acceptance of the FTP model.

Directors note that the current offer includes “shading in” benefits intended to soften the impact on revenue. BBCFSL is yet to assess in detail the impact of FTP.

The current new Franchise Agreement contains the same conditions that concern your Directors but is the subject of ongoing negotiations between BEN and the CB Alliance Limited (**the ALLIANCE**).

### MARKET DEVELOPMENT FUND (MDF).

BBCFSL agreed to the reduction of this Fund by \$15,000 per annum. These funds are combined with similar contributions from Nowra, Milton & Sussex Inlet to form a Cluster Marketing Fund to produce advertising & marketing plans in this Cluster area.

### STRATEGIC PLANNING.

The Strategic Plan adopted in the 2016 year has not been reviewed this financial year. It is planned to do so in the next financial year. BBCFSL does prepare an annual Business Plan linked to the annual budget. This Plan is reviewed by the Branch Manager and the Board regularly.

Implementation of part of that Plan has seen preliminary discussions commenced with BEN & another party with a view to increasing BBCFSL financial sustainability in the context of a new franchise agreement and embracing FTP.

### RISK MANAGEMENT.

BBCFSL has a detailed Risk Management Plan and this was reviewed through the year. When appropriate a relevant Policy & Procedure Document is prepared.

### SHAREHOLDERS FLUITY

A matter of grave concern is the inability of shareholders to sell their shares. Although sellers are recorded in the Low Volume Market (LVM) internet market for unlisted Public Companies there are no purchasers. BBCFSL has expressed concern to BEN reminding BEN that Shareholder Capital was raised, at no cost to BEN, from the local community to enable the BEN footprint to be established and maintained in Sanctuary Point & Districts.

## NON-FINANCIAL SNAPSHOT.

### CUSTOMERS

The following graph shows the increase in customer numbers over the last five years.



### FINANCIAL REVIEW.

Your Directors continue to steer a conservative course between its Banking Business & its contribution to the community. This graph shows Profit before Taxation, Dividend paid & Community Contributions over the past 4 years. BBCFSL monitors its core business, Retail Banking Franchise in the context of Community Contributions and the **About** magazine publication.

The following table sets out those segmental results.

INCOME STATEMENT	2016 \$	2017 \$
<b>Gross Income</b>	<b>748,860</b>	<b>766,319</b>
<b>Income From Banking</b>	<b>608,204</b>	<b>647,288</b>
<b>Cash Earnings From Banking</b>	<b>62,920</b>	<b>118,052</b>
<b>Community Services *</b>	<b>10,184</b>	<b>- 37,416</b>
<b>Branch Profit Before Taxation</b>	<b>49,395</b>	<b>57,109</b>

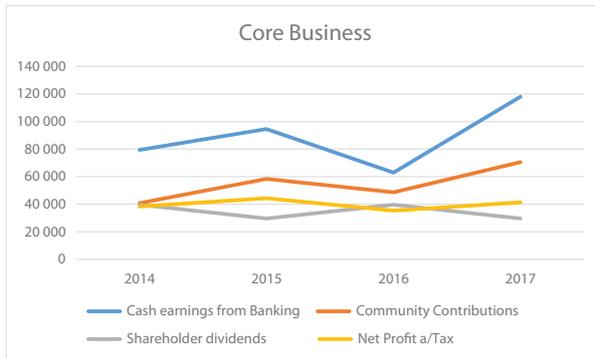
\*\* Community Services Includes MDF received from BEN less Donations, Sponsorships & contributions to the Community Enterprise Foundation (CEF) , \$40,000 (2016 \$30,000) held for future Community projects and **About** magazine.

Margin Share has increased by 27.47% and Up Front Commission by 82.65% over the year. This needs to be considered in the context of resistance by BBCFSL against adoption of FTP.

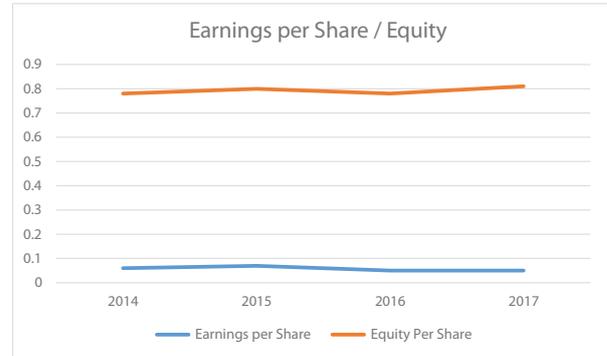
Branch costs decreased by 11.97% but Employment Costs have increased by 26.42% The latter reflects a one off adjustment payment by BEN to trainees over the past two years.

The following graph shows Cash earnings from Banking (Core Business), Community Contributions incl CEF, Shareholder Dividends and net profit after Taxation.

Of concern is the gradual decline in profitability after tax reflecting BEN continual pressure on margins. This policy must impact on BBCFSL ability to continue to support the Community at the same level and maintain current Dividend policy.



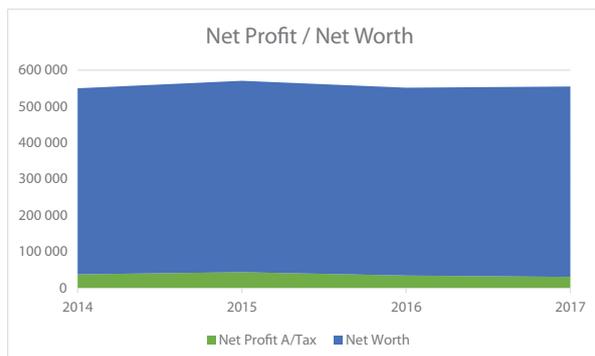
The following graph compares earnings per share with Equity per share.



**GEOFFREY ELLISON. FCA. MAICD.**  
Deputy Chair

<b>BALANCE SHEET SUMMARY</b>	<b>2016</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Total Current Assets</b>	<b>444,550</b>	<b>492,587</b>
<b>Total Current Liabilities</b>	<b>79,184</b>	<b>79,547</b>
<b>Working Capital</b>	<b>365,366</b>	<b>413,040</b>
<b>Shareholders Equity / Net worth</b>	<b>516,619</b>	<b>533,964</b>
<b>Asset Backing per Share</b>	<b>0.78</b>	<b>0.81</b>
<b>Earnings per Share</b>	<b>0.05</b>	<b>0.06</b>

The following graph shows Net Profit after Taxation and Net Worth (Shareholder Equity).



# manager's report

as at 30 June 2017



## Financial Performance

Over the last financial year, the **Sanctuary Point & Districts Community Bank®** (the Branch) has achieved a 2.1% increase in its book of business. In dollar terms, this represents an increase of some \$1.786 million throughout the year, and a year end position of \$85.792 million. This is a good result considering the very competitive environment we have been working in during the past financial year.

In summary, as at the end of 2017 financial year, the Branch's business is represented by:

- A total of 4,546 accounts, increased 149 during the year
- Total book value of \$85.792 million
- Loan business of \$23.305 million (459 loan accounts, 60 increase for the year)
- Deposit business of \$62.487 million (4,087 deposit accounts, 89 increase for the year).

## Staffing

It has been a pleasure working with the team we have established at Sanctuary Point over this past year. The branch has set itself up as an employer of choice and excellence which is heading towards one of the branch's long term goals.

The structure of the staffing has changed to include multiple trainees at different stages of development. This is giving the youth of our area opportunities and training that they would otherwise either not receive or have to leave the area to get. Our current structure looks like this:



**Branch Manager**  
myself commenced with the branch when it opened in 2004.



**Customer Relationship Manager**  
Kerry Welsh who has been with the branch since 2013.



**Customer Service Officer**  
Full Time – Michael Tomson joined the branch in 2011



**PPT Trainee**  
Sharna Boughton joined 2015



**School Based Trainee**  
Romeny Henderson

This year we welcome our 2 newest staff members, both of whom have commenced a 2 year traineeships with us, completing Certificate III in Financial Services during their term with us.



Denzie Town and Nikki Cook both commenced May 2017

During this year we farewelled Megan Ray. Megan had been with us as a PPTCSO (part time Customer Service Officer) since 2008, her experience and knowledge will be missed. We wish Megan every success in her future endeavours.

Overall we haven't had very many staff changes over the years. As you would appreciate a stable staff environment leads to good staff relationships and overall morale. The team we have gel well together and achieve results you would expect from a larger more experienced group.

I am very happy with the structure of the branch staff and the direction we have taken with regards to training of local youth. There are limited opportunities for our young people in this area and I am proud that we as a bank can help in some small way.

## Working in the Community

It's been another busy year for your **Community Bank®** in the Bay & Basin area. We have attended and contributed to many sponsorship events and community building projects.

A couple of the more notable are:



**"The Crest" Circa 1911** is a 106 year old Huskisson built fishing boat.

The funds will be used to purchase the materials required to complete the restoration, including a new drive shaft, propeller, timbers, paint and other materials. The

labour to complete the project is being provided by the volunteers at Jervis Bay Maritime Museum. The project, once completed will see this fully functional vessel as a part of the museum's collection. Jervis Bay Maritime Museum

currently lacks an operational historic vessel. An operational "Crest" will celebrate local boat building history and be a centrepiece for regular wooden boat shows at the museum, bringing many visitors to the Bay & Basin area.

### Grand opening of Plantation Point Fitness Station in Vincentia:

6th June saw Board members and Branch Managers Keith & Kerry from Bendigo Bank Sanctuary Point attended the grand opening of the Vincentia Public Fitness Station at Plantation Point Reserve, Vincentia.

This community project was a joint initiative between Bay & Basin Community Financial Services, The Veolia Mulwarae Trust & Shoalhaven City Council.



Pictured above is Chair of Bay & Basin Financial Services with Mayor Amanda Findley cutting the ribbon to officially open the station. Complete with exercise equipment for people of all ages and abilities, this fantastic addition to our local community would not be possible without the support of the local community. It is just another example of how banking with Bendigo Bank benefits the community as a whole!

### KidsFix Ambulance

During the year an agreement was reached with our Regional office and our Nowra Branch to jointly fund the purchase of the Kidsfix Ambulance. This ambulance is specifically designed to handle the requirements of children with critical needs. The Ambulance was launched in early August 2016 and is now permanently in use in the Shoalhaven area.



### Scholarships 2016

Bendigo Community Bank was pleased to be able to announce further scholarships to local students who had completed their HSC and had been offered a place in a university. In previous years we have offered two scholarships, but this year we found we could not discount one of the applicants and so, with the full support of the Board, were able to provide a third. Each of the young women were former students from Vincentia High School. The recipients will be studying a diverse range of courses,

Bachelor Arts (Japanese), Bachelor of International Studies; Bachelor of Interior Design Honours and Bachelor of Social Work. The successful recipients are Kristen Bradshaw, Lara Norton and Maddison Mayberry.



### Annual Charity Golf Day & Auction

This years annual charity golf and auction day raised a commendable \$10,841, this was despite a false start when the original planned day in December had to be postponed due to the inclement weather.



This day was again well supported by the business community of the Shoalhaven with over 100 items donated for the charity auction. There were 2 recipients for the monies raised this year. Quest for Life Foundation & SAHSSI (Homeless Services Shoalhaven).

The bank will be hosting another Charity Golf and Auction day in December 2017, this year we will be raising funds to purchase a piece of equipment for the Children's Ward at Shoalhaven & Districts Hospital. Keep your eye out for further details and get involved in what has fast become a great day.

### 2017 Wrap

The results and longevity of the Bank would not be possible without a dedicated and hardworking Board of Directors and our branch is blessed with that. I would like to take this opportunity to publicly thank the Company's Board of Directors and of course the team at the branch, you couldn't wish for a better group to work with, together we are achieving some wonderful things for the Bay & Basin and certainly punching above our weight in comparison to other community branches of our size.

I look forward to a bigger and better year in 2017/18 for our local **Community Bank®** and its board.

**Keith G Robinson** – Branch Manager

# Bendigo and Adelaide Bank report

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For year ending 30 June 2017

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

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

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

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

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

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

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

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

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

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

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

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



**Robert Musgrove**  
Executive Engagement Innovation

# sponsorships/ grant allocations 2016-2017 Financial Year

During the year, many local organisations benefited from sponsorship and donations provided by your **Community Bank®**.

These included:-

- Bay & Basin Community Radio
- Sanctuary Point Public School
- Vincentia Primary School
- Jervis Bay Public School
- Cancer Care Support Group
- St Georges Basin Country Club Men's Golf
- South Coast Referees Association
- St Georges Basin Bowls
- Vincentia Golf Club
- Vietnam Veterans Golf
- Community Enterprise Foundation
- Sanctuary Point Community Pride Group
- Bay & Basin Yacht Club
- St Georges Basin Football Club
- Bay & Basin Amateur Swimming Club
- Little A's
- St Georges Basin Hockey
- Youth Awards (local schools)
- Jervis Bay Fishing Club
- Seechange Arts Festival
- Quest for Life
- SAHSSI (Homeless Shoalhaven)
- "About" monthly newsletter

# directors' report

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:

**Veronica Jean Husted**  
**Chair**  
Retired Library Assistant

Qualifications, experience and expertise: Library Assistant, NSW Public Schools, Women's Employment Officer, NSW Public Service, Deputy Chair of Southern Cross Community Housing, President of Crossroads Rural Fire Brigade, Secretary of Sanctuary Point Community Pride Inc. and previous involvement in many aspects of the community. Has Certificate IV in Workplace Training and Assessment and a Diploma in Labour Law.  
*Special Responsibilities:* Chair of Bay & Basin CFSL, Community Affairs, Human Resources Committees & member of Finance Committee.  
*Interest in shares:* 500

**Geoffrey McNeil Clark Ellison**  
**Director**  
Chartered Accountant & Business Advisor

Qualifications, experience and expertise: Chartered Accountant, Retired Insolvency Practitioner. Previous: Partner 2nd tier Chartered Accountancy practice. Current: Director/Treasurer Regional Maritime Museum, Trustee RSL Sub Branch. Mentor & Presenter Business Professional Association.  
*Special Responsibilities:* Chair Governance & Audit Committee, Chair Finance Committee and Leader Strategic Planning sub committee.  
*Interest in shares:* 1,000

**Allen Christian Kruse**  
**Treasurer**  
Retired

Qualifications, experience and expertise: Early banking experience with Bank of New South Wales and Banque Nationale De Paris. Principal career with Department of Social Security and Centrelink IT specialising in business analysis, system design, project management and executive management. President of Sanctuary Point Community Pride Inc. Heavily involved in the development of Clifton Community Food Garden and Chillout Youth Centre.  
*Special Responsibilities:* Community Affairs Committee  
*Interest in shares:* Nil

**Paul Jeffrey Hawkins**  
**Director**  
Retired/Self Employed Marriage Celebrant

Qualifications, experience and expertise: Customer Service Officer with Centrelink involved in granting payments, raising debts and investigating fraud. Managed welfare centre plus outreach homes with 3 F/T and 4 P/T staff. Duties included OHS, HR, budgeting, submitting monthly/annual audit reports, training general running of centre. Financial counsellor with Creditline. Duties included negotiating with creditors, assisting clients with budgeting, counselling and some preparation and attendance at bankruptcy proceedings. Other employment included probation – parole, youth worker and over 20 years with NSW Police Service. Involved with NSW Justice Association, retired Police Association and complete volunteer work (court duties) with Shorehaven Community Legal Aid. Completed a BA Social Science and current listed Justice of Peace.  
*Special Responsibilities:* Human Resources Committee  
*Interest in shares:* Nil

**David Patrick Walsh**  
**Director** (*Appointed 27 February 2017*)  
Retired

Qualifications, experience and expertise: Retired former senior executive with the Australian Government after a 36 year career. Held various positions including State Director (NSW) and Global Manager (Refugee & Humanitarian Visas) with the Department of Immigration and Border Protection, Area Manager (West NSW) and Area Manager (East Coast NSW) with Centrelink and Regional Manager (NSW & ACT) with the Department of Agriculture. Currently Secretary of Crossroads Rural Fire Service, and a volunteer firefighter. Master of Public Administration (Syd). Skills include human resource management, governance, strategic planning and community relations. A strong record of volunteering in various local communities.  
*Special Responsibilities:* Human Resources, Governance & Audit Committees  
*Interest in shares:* Nil

# directors' report continued

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**Foty Gregory Loupos**

**Director** (Appointed 27 February 2017)  
Executive Teacher

Qualifications, experience and expertise: Teacher, Lecturer Tutor and Trainer. Counsellor, Traditional Chinese medicine Therapist and Clinical Hypnotherapist. Business Development, Consultancy and Mercantile Agent. Qualifications include Bachelor of Commerce - Hospitality Management & Marketing at UNSW, Diploma of Project Management - Organisational Management via Projects, Certificate IV Workplace Training & Assessment, Master Teaching USYD, Master Education CSU, PhD candidature - Leadership and Strategy UoW.  
*Special Responsibilities:* Marketing, Community Liaison & Strategy Committees.  
*Interest in shares:* Nil

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**Michelle Rebecca Miran**

**Director** (Resigned 14 June 2017)  
Retired

Qualifications, experience and expertise: Michelle is Semi retired, occasionally convening mediations and business development consulting services for small to medium businesses and NGOs. Michelle's previous experience includes CEO of 2 NGOs, Head of Division in TAFE, owner operator of two Cafes in tourism areas and hospitality curriculum development. Michelle has close relationships with the local indigenous community and has spent more than 30 years working with communities across NSW. Michelle is an active community volunteer.  
*Special Responsibilities:* Member of Marketing Committee  
*Interest in shares:* Nil

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**Ian Spencer Frank Mackelden**

**Director** (Resigned 14 November 2016),  
(Appointed 1 August 2017)  
Retired

Qualifications, experience and expertise: Involvement as previous Vice President Lady Denman Maritime Museum. Advisor to Board - Australian Skin and Cancer Foundation. Past Board Director of Clemenger BBDO Direct, BBDC Direct New York and Lintas Advertising (Unilever). Accredited MBA - International Management, Tuck School of Business Dartmouth College - New Hampshire USA. Director of Business Development Asia Pacific Wonderman Y&R Advertising.  
*Special Responsibilities:* Marketing Committee  
*Interest in shares:* Nil

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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

Keith Gordon Robinson was appointed as company secretary on 25 August 2010. Keith holds a Diploma in Business and has experience in the finance sector, as well as the real estate industry.

## 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	2016
	\$	\$
	41,401	35,361

# directors' report continued

## DIVIDENDS

	Year Ended 30 June 2017	
<b>Dividends</b>	Cents	\$
<b>Dividends paid in the year</b>	4.5	29,700

## 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 of the financial statements.

## EVENTS SINCE THE END OF THE FINANCIAL YEAR

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

## LIKELY DEVELOPMENTS

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

## ENVIRONMENTAL REGULATION

The company is not subject to any significant environmental regulation.

## DIRECTORS' BENEFITS

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

## 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' report continued

## DIRECTORS' MEETINGS

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

	Committee Meetings Attended									
	Board Meetings Attended		Governance & Audit		Human Resources		Marketing		Community Affairs	
	A	B	A	B	A	B	A	B	A	B
Veronica Jean Husted	11	10	-	-	2	2	-	-	2	2
Geoffrey McNiel Clark Ellison	11	10	9	9	-	-	-	-	-	-
Allen Christian Kruse	11	11	-	-	-	-	-	-	2	2
Paul Jeffrey Hawkins	11	8	-	-	2	1	-	-	-	-
David Welsh <i>(Appointed 27 February 2017)</i>	11	4	9	4	2	1	5	5	-	-
Foty Gregory Loupos <i>(Appointed 27 February 2017)</i>	11	3	-	-	-	-	5	1	-	-
Michelle Rebecca Miran <i>(Resigned 26 June 2017)</i>	11	9	-	-	-	-	5	1	-	-
Ian Spencer Frank Mackelden <i>(Resigned 28 November 2016); (Appointed 1 August 2017)</i>	11	3	-	-	-	-	5	2	-	-

A - Eligible to attend, B - Number attended

## PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

## NON AUDIT SERVICES

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

The board of directors has considered the position, in accordance with the advice received from the governance & audit committee 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 audit committee 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.

## AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

Signed in accordance with a resolution of the board of directors at Sanctuary Point, New South Wales on 8 September 2017.



**Veronica Jean Husted**, Chair

# auditor's independence declaration



Chartered Accountants

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

14

## Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Bay & Basin Community Financial Services Limited

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

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

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated: 8 September 2017

**David Hutchings**  
Lead Auditor

# statement of profit or loss and other comprehensive income

for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue from ordinary activities	4	766,319	748,860
Employee benefits expense		(361,256)	(337,379)
Charitable donations, sponsorship, advertising and promotion		(70,603)	(68,725)
Occupancy and associated costs		(50,117)	(48,597)
Systems costs		(19,310)	(22,632)
Depreciation and amortisation expense	5	(23,527)	(23,709)
General administration expenses		(184,397)	(198,423)
<b>Profit before income tax expense</b>		<b>57,108</b>	<b>49,395</b>
Income tax expense	6	(15,707)	(14,034)
<b>Profit after income tax expense</b>		<b>41,401</b>	<b>35,361</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>41,401</b>	<b>35,361</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
- Basic earnings per share	22	6.27	5.36

The accompanying notes for part of these financial statements

# balance sheet

as at 30 June 2017

	Notes	2017 \$	2016 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	418,252	372,696
Trade and other receivables	8	74,436	65,644
Current tax asset	11	-	2,778
<b>Total Current Assets</b>		<b>492,688</b>	<b>441,118</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	97,044	106,678
Intangible assets	10	24,050	37,793
Deferred tax assets	11	4,536	6,247
<b>Total Non-Current Assets</b>		<b>125,630</b>	<b>150,718</b>
<b>Total Assets</b>		<b>618,317</b>	<b>591,836</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	30,952	17,910
Current tax liabilities	11	3,805	-
Provisions	13	44,890	43,304
<b>Total Current Liabilities</b>		<b>79,647</b>	<b>61,214</b>
<b>Non-Current Liabilities</b>			
Provisions	13	4,706	8,359
<b>Total Non-Current Liabilities</b>		<b>4,706</b>	<b>8,359</b>
<b>Total Liabilities</b>		<b>84,353</b>	<b>69,573</b>
<b>Net Assets</b>		<b>533,964</b>	<b>522,263</b>
<b>Equity</b>			
Issued capital	14	624,056	624,056
Accumulated losses	15	(90,092)	(101,793)
<b>Total Equity</b>		<b>533,964</b>	<b>522,263</b>

The accompanying notes for part of these financial statements

# statement of changes in equity

for the financial year ended 30 June 2017

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 2015</b>	624,056	(97,554)	526,502
<b>Total comprehensive income for the year</b>	-	35,361	35,361
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(39,600)	(39,600)
<b>Balance at 30 June 2016</b>	<b>624,056</b>	<b>(101,793)</b>	<b>522,263</b>
<b>Balance at 1 July 2016</b>	624,056	(101,793)	522,263
<b>Total comprehensive income for the year</b>	-	41,401	41,401
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(29,700)	(29,700)
<b>Balance at 30 June 2017</b>	<b>624,056</b>	<b>(90,092)</b>	<b>533,964</b>

17

# statement of cashflows

for the financial year ended 30 June 2017

	Notes	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		828,286	810,541
Payments to suppliers and employees		(753,051)	(754,842)
Interest received		7,584	8,132
Income taxes paid		(7,413)	(21,293)
<b>Net cash provided by operating activities</b>	16	<b>75,406</b>	<b>42,538</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(150)	(1,711)
<b>Net cash provided by/(used in) investing activities</b>		<b>(150)</b>	<b>(1,711)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(29,700)	(39,600)
<b>Net cash used in financing activities</b>		<b>(29,700)</b>	<b>(39,600)</b>
<b>Net increase in cash held</b>		<b>45,556</b>	<b>1,227</b>
Cash and cash equivalents at the beginning of the financial year		372,696	371,469
<b>Cash and cash equivalents at the end of the financial year</b>	7(a)	<b>418,252</b>	<b>372,696</b>

The accompanying notes for part of these financial statements

# notes to the financial statements

for the financial year ended 30 June 2017

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of Preparation

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

### Compliance with IFRS

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

### Critical accounting estimates

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

### Historical cost convention

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

### Comparative figures

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

### Application of new and amended accounting standards

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

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

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

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

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

### Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Sanctuary Point, New South Wales.

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

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

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

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

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

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

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

## b) Revenue

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

### Revenue calculation

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

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

### Core banking products

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

### Margin

Margin is arrived at through the following calculation:

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

- *minus* any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

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

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

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

### Commission

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

### Fee income

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

### Discretionary financial contributions

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

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

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

for the financial year ended 30 June 2017

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES 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.

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

#### 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.

#### 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.

# notes to the financial statements continued

for the financial year ended 30 June 2017

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### l) Leases (continued)

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 or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

### n) Contributed Equity

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

### o) Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

### p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

## NOTE 2. FINANCIAL RISK MANAGEMENT

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

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

### (i) Market risk

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

### (ii) Price risk

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

### (iii) Credit risk

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

### (iv) Liquidity risk

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

### (v) Cash flow and fair value interest rate risk

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

### (vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

### NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

#### Taxation

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

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes,

operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the Statement of Profit or Loss and Other Comprehensive Income.

#### Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

#### Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

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

# notes to the financial statements continued

for the financial year ended 30 June 2017

## NOTE 4. REVENUE FROM ORDINARY ACTIVITIES

	2017 \$	2016 \$
Operating activities:		
- gross margin	385,976	333,603
- services commissions	165,176	177,724
- fee income	90,393	97,943
- market development fund	35,000	50,000
- community newsletter	82,161	80,656
<b>Total revenue from operating activities</b>	<b>758,706</b>	<b>739,926</b>
Non-operating activities:		
- interest received	7,584	8,132
- other revenue	29	802
<b>Total revenue from non-operating activities</b>	<b>7,613</b>	<b>8,934</b>
<b>Total revenues from ordinary activities</b>	<b>766,319</b>	<b>748,860</b>

## NOTE 5. EXPENSES

	2017 \$	2016 \$
Depreciation of non-current assets:		
- plant and equipment	7,830	8,012
- leasehold improvements	1,954	1,954
Amortisation of non-current assets:		
- franchise agreement	2,295	2,266
- franchise renewal fee	11,448	11,477
	<b>23,527</b>	<b>23,709</b>
Bads debts	264	1,029
<b>Loss on disposal of asset</b>	<b>-</b>	<b>224</b>

## NOTE 6. INCOME TAX EXPENSE

	2017 \$	2016 \$
The components of tax expense comprise:		
- Current tax	13,995	11,916
- Movement in deferred tax	1,712	7,323
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	227
- Under/(over) provision of tax in the prior period	-	(5,432)
	15,707	14,034
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit	57,108	49,395
Prima facie tax on profit from ordinary activities at 27.5% (2016: 28.5%)	15,705	14,078
Add tax effect of:		
- non deductible expenses	-	64
- timing difference expenses	(1,712)	(2,226)
	13,995	11,916
Movement in deferred tax	1,712	7,323
Adjustment to deferred tax to reflect change of tax rate in future periods	-	227
Under/(over) provision in respect to prior years		(5,432)
	15,707	14,034

## NOTE 7. CASH AND CASH EQUIVALENTS

	2017 \$	2016 \$
Cash at bank and on hand	68,594	80,459
Term deposits	349,658	292,237
	418,252	372,696

### Note 7. (a) Reconciliation to cash flow statement

	2017 \$	2016 \$
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	68,594	80,459
Term deposits	349,658	292,237
	418,252	372,696

## NOTE 8. TRADE AND OTHER RECEIVABLES

	2017 \$	2016 \$
Trade receivables	60,141	54,835
Prepayments	12,182	8,183
Other receivables and accruals	2,113	2,626
	74,436	65,644

# notes to the financial statements continued

for the financial year ended 30 June 2017

## NOTE 9. PROPERTY, PLANT AND EQUIPMENT

	2017 \$	2016 \$
<b>Leasehold improvements</b>		
At cost	78,165	78,165
Less accumulated depreciation	(25,864)	(23,911)
	52,301	54,254
<b>Plant and equipment</b>		
At cost	139,672	139,522
Less accumulated depreciation	(94,928)	(87,098)
	44,744	52,424
<b>Total written down amount</b>	97,044	106,678
<b>Movements in carrying amounts:</b>		
<b>Leasehold improvements</b>		
Carrying amount at beginning	54,255	56,209
Additions	-	-
Disposals	-	-
Less: depreciation expense	(1,954)	(1,954)
<b>Carrying amount at end</b>	52,301	54,255
<b>Plant and equipment</b>		
Carrying amount at beginning	52,424	58,949
Additions	150	1,711
Disposals	-	(744)
Less: depreciation expense	(7,830)	(7,493)
<b>Carrying amount at end</b>	44,744	52,423
<b>Total written down amount</b>	97,044	106,678

## NOTE 10. INTANGIBLE ASSETS

	2017 \$	2016 \$
<b>Franchise fee</b>		
At cost	82,930	82,930
Less: accumulated amortisation	(78,875)	(76,580)
	4,055	6,350
<b>Renewal processing fee</b>		
At cost	114,645	114,645
Less: accumulated amortisation	(94,649)	(83,202)
	19,996	31,443
<b>Total written down amount</b>	<b>24,050</b>	<b>37,793</b>

## NOTE 11. TAX

	2017 \$	2016 \$
<b>Current:</b>		
Income tax payable/(refundable)	(3,805)	(2,778)
<b>Non-Current:</b>		
<b>Deferred tax assets</b>		
- accruals	743	715
- employee provisions	13,638	14,207
	14,381	14,922
<b>Deferred tax liability</b>		
- accruals	722	723
- property, plant and equipment	9,123	7,952
	9,845	8,675
<b>Net deferred tax asset</b>	<b>4,536</b>	<b>6,247</b>
<b>Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income</b>	<b>1,712</b>	<b>7,550</b>

# notes to the financial statements

 continued

for the financial year ended 30 June 2017

## NOTE 12. TRADE AND OTHER PAYABLES

	2017 \$	2016 \$
Trade creditors	5,264	1,499
Other creditors and accruals	25,688	16,411
	30,952	17,910

## NOTE 13. PROVISIONS

	2017 \$	2016 \$
<b>Current:</b>		
Provision for annual leave	20,473	21,378
Provision for long service leave	24,417	21,926
	44,890	43,304
<b>Non-Current:</b>		
Provision for long service leave	4,706	8,359

## NOTE 14. CONTRIBUTED EQUITY

	2017 \$	2016 \$
660,000 Ordinary shares fully paid (2016; 660,000)	660,000	660,000
Less: equity raising expenses	(35,944)	(35,944)
	624,056	624,056

## Rights attached to shares

### a. Voting rights

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

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

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

### b. Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited share holding 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 share holding interest

A person must not have a prohibited share holding interest in the company.

In summary, a person has a prohibited share holding 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 share holding provision is to reflect the community-based nature of the company.

Where a person has a prohibited share holding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited share holding 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 share holding interest. If the board becomes aware that a member has a prohibited share holding 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.

# notes to the financial statements

continued

for the financial year ended 30 June 2017

## NOTE 15. ACCUMULATED LOSSES

	2017 \$	2016 \$
Balance at the beginning of the financial year	(101,793)	(97,554)
Net profit from ordinary activities after income tax	41,401	35,361
Dividends paid or provided for	(29,700)	(39,600)
<b>Balance at the end of the financial year</b>	<b>(90,092)</b>	<b>(101,793)</b>

30

## NOTE 16. STATEMENT OF CASH FLOWS

	2017 \$	2016 \$
<b>Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities</b>		
Profit from ordinary activities after income tax	41,401	35,361
<b>Non cash items:</b>		
- depreciation	9,784	9,966
- amortisation	13,743	13,743
- loss on disposal of asset	-	224
<b>Changes in assets and liabilities:</b>		
- (increase)/decrease in receivables	(8,791)	(5,124)
- (increase)/decrease in other assets	4,489	4,773
- increase/(decrease) in payables	13,042	(7,450)
- increase/(decrease) in provisions	(2,067)	3,076
- increase/(decrease) in current tax liabilities	3,805	(12,031)
<b>Net cash flows provided by operating activities</b>	<b>75,406</b>	<b>42,538</b>

## NOTE 17. LEASES

	2017 \$	2016 \$
<b>Operating lease commitments</b>		
<b>Non-cancellable operating leases contracted for but not capitalised in the financial statements</b>		
Payable - minimum lease payments		
- not later than 12 months	28,729	28,729
- between 12 months and 5 years	21,547	50,276
- greater than 5 years	-	-
	<b>50,276</b>	<b>79,005</b>

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 was renewed on 21 March 2014 and expires on 21 March 2019, with the option of a further term of five years available to be exercised.

## NOTE 18. AUDITORS' REMUNERATION

	2017 \$	2016 \$
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,990	4,100
- share registry services	5,059	2,330
- non-audit services	1,550	4,954
	<b>11,599</b>	<b>11,384</b>

## NOTE 19. DIRECTOR AND RELATED PARTY DISCLOSURES

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

Veronica Jean Husted

Geoffrey McNiel Clark Ellison

Allen Christian Kruse

Paul Jeffrey Hawkins

David Patrick Walsh (Appointed 27 February 2017)

Foty Gregory Loupos (Appointed 27 February 2017)

Michelle Rebecca Miran (Resigned 26 June 2017)

Ian Spencer Frank Mackelden (Resigned 28 November 2016), (Appointed 1 August 2017).

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

### Directors Share holdings

	2017 \$	2016 \$
Veronica Jean Husted	500	500
Geoffrey McNiel Clark Ellison	1,000	1,000
Allen Christian Kruse	-	-
Paul Jeffrey Hawkins	-	-
David Patrick Walsh (Appointed 27 February 2017)	-	-
Foty Gregory Loupos (Appointed 27 February 2017)	-	-
Michelle Rebecca Miran (Resigned 26 June 2017)	-	-
Ian Spencer Frank Mackelden (Resigned 14 November 2016), (Appointed 1 August 2017))	-	-

There was no movement in directors share holding during the year.

# notes to the financial statements continued

for the financial year ended 30 June 2017

## NOTE 20. DIVIDENDS PAID OR PROVIDED

	2017 \$	2016 \$
<b>a. Dividends paid during the year</b>		
Current year dividend		
100% (2016: 100%) franked dividend - 4.5 cents (2016: 6 cents) per share	29,700	39,600
The tax rate at which dividends have been franked is 27.5% (2016: 30%)		
<b>b. Franking account balance</b>		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	33,010	36,864
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	(3,805)	(2,865)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
<b>Franking credits available for future financial reporting periods:</b>	36,815	33,999
- 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	-	-
<b>Net franking credits available</b>	36,815	33,999

## NOTE 21. KEY MANAGEMENT PERSONNEL DISCLOSURES

No director of the company received remuneration for services as a company director or committee member. There are no executives within the company whose remuneration is required to be disclosed.

## NOTE 22. EARNINGS PER SHARE

	2017 \$	2016 \$
a. Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	41,401	35,361
	Number	Number
b. Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	660,000	660,000

## NOTE 23. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

## NOTE 24. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

During the year ended 30 June 2016 Bay & Basin Community Financial Services Limited committed to sponsoring KIDZFIX for four years from 2016 to 2019. Four annual payments of \$4,220 will be made.

Prior year ended 30 June 2016 Bay & Basin Community Financial Services Limited committed to three scholarships of \$10,000 (\$5,000 each year) each over two years (2016 to 2017). The total commitment has \$15,000 remaining.

No other contingent assets or contingent liabilities have been incurred by the company affect the year ended 30 June 2017.

## NOTE 25. SEGMENT REPORTING

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Sanctuary Point and Districts, New South Wales pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

## NOTE 26. REGISTERED OFFICE/PRINCIPAL PLACE OF BUSINESS

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

### Registered Office

1/200 Kerry Street  
Sanctuary Point NSW 2540

### Principal Place of Business

1/200 Kerry Street  
Sanctuary Point NSW 2540

## NOTE 27. FINANCIAL INSTRUMENTS

### Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest rate		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
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Financial Assets</b>												
Cash and cash equivalents	68,594	80,459	349,658	292,237	-	-	-	-	-	-	1.84	2.19
Receivables	-	-	-	-	-	-	-	-	60,141	54,835	N/A	N/A
<b>Financial Liabilities</b>												
Payables	-	-	-	-	-	-	-	-	5,264	1,499	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. 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		2017	2016
	\$	\$		\$	\$
<b>Change in profit/(loss)</b>			<b>Change in equity</b>		
- Increase in interest rate by 1%	4,183	3,727	- Increase in interest rate by 1%	4,183	3,727
- Decrease in interest rate by 1%	-	-	- Decrease in interest rate by 1%	-	-

# director's declaration

year ended 30 June 2017

In accordance with a resolution of the directors of Bay & Basin Community 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.



**Veronica Jean Husted,**

Chair

Signed on 8th 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 Bay & Basin Community Financial Services Limited

35

### Report on the audit of the financial statements

#### Our opinion

In our opinion, the financial report of Bay & Basin Community 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

Bay & Basin Community 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.

# independent auditor's report

continued

36

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: 8 September 2017



**David Hutchings**  
Lead Auditor





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[www.aboutbayandbasin.org](http://www.aboutbayandbasin.org)