

# 2018 Annual Report



Beaufort Community Financial  
Services Limited

ABN 53 097 961 058

Beaufort **Community Bank**® Branch

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# Chairman's report

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For year ending 30 June 2018

2017/18 has been another successful year for the Beaufort **Community Bank**<sup>®</sup> Branch. I am immensely proud of the Bank's contribution to our community, including:

- a continued retail professional banking service in Beaufort and Skipton;
- \$1.2 million of sponsorships, grants and dividends back to the community over 16 years;
- employment for six local families; and
- an important role in fostering community identity, support and engagement.

We are also developing a reputation as a branch that develops its people, with three staff progressing their careers within Bendigo Bank. As I write we are about to welcome a new Manager.

In November longstanding Company Secretary Tricia Collins resigned. For 10 years Trish ably supported the Board in its governance and community engagement roles. We are forever indebted to Trish for her outstanding contribution.

The Board continues to focus on community engagement. A community Board meeting at the Burrumbeet Soldiers Memorial Hall was well attended. The Hall has received several of our community investments over the years. It was fantastic to see the benefits first hand, and for Directors to meet members of the Burrumbeet community.

We have introduced an information evening to demystify the application process for our community investment program. The quality and quantity of applications has considerably improved as a result. Our newsletters and Facebook page are great ways to keep in touch and read about our positive contribution to the community. And we look forward to shareholders presenting community grants.

Young Directors Rhi Goosens and Ashleigh Crowley have also been valuable contributors. As a winner of the Skipton Lions Youth of the Year public speaking, Rhi highlighted the challenges regional youth face using digital services essential to their education.

We continue to sponsor naming rights of the Beaufort **Community Bank**<sup>®</sup> Complex, the Beaufort **Community Bank**<sup>®</sup> Pyrenees Art Show, many sporting clubs, schools and community events.

The 2018 Financial Report represents another very strong result. Profit after tax is a very healthy \$100,061 (2017: \$130,400). Although revenue growth has slowed, we continue to control costs and trade profitably. Profit is marginally down on a record high in 2017, due largely to our increased community contributions. Pleasingly shareholders can continue to have confidence in our balance sheet, each share is now backed by \$1.36 of liquid assets.

The Board is pleased to announce a fully franked dividend of 6.5c per share, (as per 2017) to be paid in December 2018. This brings total dividends per share since 2006 to \$0.74. Balance sheet strength, an excellent return on investment and our community focus continue to present a compelling case to be a shareholder.

Thank you to my fellow volunteer Directors and new Company Secretary Ayesha Hilton for their support. And finally, congratulations to you, our loyal customers and shareholders. By participating in the **Community Bank**<sup>®</sup> branch you too play an important role in supporting the ongoing prosperity of Beaufort, Skipton and district.



**Tim Chandler**  
Chairman

# Manager's report

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For year ending 30 June 2018

I am honoured to be able to write my second Annual Manager's report. I have been in this role since May 2017, and as of 3 August 2018, I will be going into the new role within Bendigo and Adelaide Bank Limited. My new role is Lending Education and Capability Lead. I am looking forward to this new opportunity. I would like to thank the Beaufort **Community Bank**<sup>®</sup> company Board and staff for welcoming me over the last 12 months and I will have fond memories of the time I spent in Beaufort.

We finished the year with funds under management of \$113 million, a 12-month growth of \$5.3 million (4.91% Increase). This is a great result given we are seeing record loan payoffs. This doesn't just effect our loan balances, it also reduces our deposits balances as these are being used to pay off loans more quickly.

In the coming months we will welcome a new Branch Manager. I expect a continued focus going forward on lending activity. We need to have strong lending activity, so that we are not impacted by the high loan pay offs that we are currently seeing.

Over the past 12 months, we have worked closely with the Skipton Agency and we are seeing some promising results from this. The CBA in Skipton closed in June. This provided our Agency with a big opportunity to grow its business. We are fully committed to Skipton and will continue to grow this part of the business.

I would like to acknowledge the staff of Beaufort **Community Bank**<sup>®</sup> Branch for the great work they have done. We have had a year of change with several staff movements. The constants are our long-term local employees, Wendy and Jodie. The branch wouldn't operate as well as it does without their local and banking knowledge.

In March, we farewelled Dave, who got a new position within Bendigo Bank, and in May we farewelled Naomi who took on a full-time position with the Ballarat Central Branch. I thank both of them for the great work they did for the branch. I think it is great that staff from the Beaufort **Community Bank**<sup>®</sup> Branch are being recognised and recruited to the Bendigo Bank in other roles. It shows the development that can be provided at a small branch.

In their place, we welcomed Alison as Customer Relationship Officer, who has 20 years banking experience, and Rachel who used to work with Bendigo Bank in Melbourne before taking a career break. The branch will be in safe hands with the staff we have and the new Manager.

I must thank Chairman Tim Chandler, Company Secretaries Trish Collins and Ayesha Hilton and the Board for the past 12 months. The **Community Bank**<sup>®</sup> branch has never been in a stronger position and I am sure Tim will elaborate on that further in his report.

Before I finish, I just want to encourage anyone reading this to consider Bendigo Bank when thinking of any banking you may have. Further, if you are talking to a friend tell them to contact the branch to discuss their financial requirements. We are happy to travel to see anyone about their financial requirements. The more business we write, the more money we can put back into the communities we represent.



**James Ackland**  
**Branch Manager**



# Bendigo and Adelaide Bank report

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For year ending 30 June 2018

It's been 20 years since the doors to the first **Community Bank®** branch opened. And it has only been a few months since the latest, the 321st, **Community Bank®** branch opened its doors.

In the last 20 years, much has changed. A staggering 92 per cent of our customers do their banking online and we pay for goods and services on a range of mobile phones, our watches and even our fitness devices. Many are embracing this online world with a sense of excitement and confidence. Our model will be even more accessible to people right across Australia.

Despite the change many things have also remained constant through the last two decades. Commitment within communities remains as strong today as it has ever been; from our first **Community Bank®** branch to the most recent one, and the 319 in between.

This year, five of our **Community Bank®** branches are celebrating 20 years in business. Bendigo Bank has celebrated 160 years in business. We farewelled Managing Director Mike Hirst and welcomed into the MD role long-time Bendigo employee Marnie Baker.

Our **Be the change** online marketing campaign has been the most successful online marketing campaign ever run by our organisation. The premise behind **Be the change** is simple – it thanks individual customers for banking with their **Community Bank®** branch.

But it's not the Bank thanking the customers. It's not the staff, volunteer directors or shareholders thanking the customers. It's the kids from the local little athletics and netball clubs, it's the man whose life was saved by a **Community Bank®** funded defib unit, it's members of the local community choir and the animal rescue shelter. These people whose clubs and organisations have received a share of over \$200 million in **Community Bank®** contributions, all because of people banking with their local **Community Bank®** branch.

**Be the change** has further highlighted the power of the model. For others, customers are important. For our **Community Bank®** network, customer support ensures our point of difference. It's the reason we can share in the revenue generated by their banking business. Without this point of difference, we would be just another bank.

But we're not, we're Bendigo Bank and we're Australia's only 'community bank', recently named by Roy Morgan Research as Australia's third most trusted brand and most trusted bank. As one of 70,000-plus **Community Bank®** company shareholders across Australia, these are outcomes we hope you too are proud of.

I'd like to thank you for your decision to support your local **Community Bank®** company as a shareholder. Your support has been vitally important to enhancing the prospects and outcomes within your community.

Without you, there would be no **Community Bank®** branch network in Australia.

We value your initial contribution and your ongoing support of your **Community Bank®** branch and your community. Thank you for continuing to play a role in helping your community **Be the change**.



**Robert Musgrove**  
**Bendigo and Adelaide Bank**

# Directors' report

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For the financial year ended 30 June 2018

Your directors submit the financial statements of the company for the financial year ended 30 June 2018.

## Directors

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

### **Timothy George Chandler**

Chairman

Occupation: Small Business Owner

Qualifications, experience and expertise: Qualified Chartered Accountant. Holds Bachelor of Commerce.

Special responsibilities: Current Chairman and Member of Finance, Governance & HR and Youth Committees

Interest in shares: 2,500 Ordinary shares

### **Jayne Louise Briody**

Director & Joint Company Secretary

Occupation: Medical Scientist

Qualifications, experience and expertise: Holds Bachelor of Applied Science in Medical Science. Treasurer Lexton Football Netball Club, Junior Manager of Lexton Netball Club, President of Lexton Community BBQ. Past President of Lexton Cemetery Trust.

Special responsibilities: Member of Marketing and Community Investment, and Youth Committee

Interest in shares: 700 Ordinary shares

### **Robert John Byrne**

Director

Occupation: Senior Victorian Public Servant – Department of Economic Development, Jobs, Transport & Resources.

Qualifications, experience and expertise: B.Sc (Hons) Melb. M.Comm (Hons) Melbourne. Graduated 1999.

Special responsibilities: Founding Director. Chairman from 2008-2013 and Member of Finance, Governance & HR Committee

Interest in shares: 750 Ordinary shares

### **Stephen John Crook**

Director

Occupation: Operations Manager of the Department of Environment, Land, Water and Planning (DELWP) Customer Service Centre.

Qualifications, experience and expertise: Graduate Certificate in Public Sector Management, Diploma in Frontline Management, Certificate IV in Workplace Training including Workplace Assessor and Certificate IV in Human and Resource Management. Experienced Manager of people and resources.

Special responsibilities: Member of Finance, Governance & HR Committee

Interest in shares: 250 Ordinary shares

### **Kate Louise Joss**

Director

Occupation: Events Manager with City of Ballarat

Qualifications, experience and expertise: Kate holds a Bachelor of Business in Tourism Management and has extensive experience in marketing and events.

Special responsibilities: Member of Marketing and Community Investment Committee, and Youth Committee

Interest in shares: 500 Ordinary shares

# Directors' report (continued)

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## Directors (continued)

### **Nicholas Robert Forbes Shady**

Director

Occupation: Farmer, author and business mentor

Qualifications, experience and expertise: Masters in Business and Administration. 25 years experience in farm business. Also holds many Director and Executive position on different local Boards.

Special responsibilities: Member of Finance, Governance & HR Committee, and Youth Committee

Interest in shares: 2,000 Ordinary shares

### **Cameron Russell**

Director

Occupation: Entrepreneur specialising in the Hospitality industry

Qualifications, experience and expertise: Small Business Owner, previous Board experience, experience with online marketing, business governance and human relations, development of world tourism events and Co-producer 18 part series and 12 part podcast.

Special responsibilities: Member of Marketing and Community Investment Committee

Interest in shares: 300 Ordinary shares

### **Terry McCracken**

Director (Appointed 1 November 2017)

Occupation: Semi-Retired, Casual Prison Officer

Qualifications, experience and expertise: Diploma of Accounting, long career in agricultural sales for various well-known companies.

Special responsibilities: Member of Youth Committee

Interest in shares: Nil

### **Alan Thomas McCartney**

Director (Appointed 1 November 2017)

Occupation: Farmer

Qualifications, experience and expertise: Farm Bookkeeping, Certificate in Farming (Apprenticeship), Woolclassing Certificate, Dowling Forest Cemetery Trustee, Burrumbeet Soldiers Memorial Hall Committee (current Secretary), CFA Member (Former Captain, Crew Leader, Strike team leader, First aid, etc.), and numerous other positions held on various committees.

Special responsibilities: Member of the Marketing and Community Investment Committee

Interest in shares: 6,500

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

No directors have material interest in contracts of proposed contracts with the company.

## Company Secretary

There have been three Company Secretaries, Tricia Collins, Ayesha Hilton, and Jayne Briody, during the current financial year.

Jayne Briody was appointed to the position of secretary on 2 June 2015. Jayne has held roles as secretary for various local community groups for 20 years. She has been employed by St John of God Pathology in Ballarat for 18 years as a Medical Scientist. Jayne also helps run and manages the books and payroll for her family's farming company.

Ayesha Hilton was appointed to the position of secretary on 22 March 2018. Ayesha has extensive community and corporate experience in communications, administration, business development, and community engagement. She holds a Bachelor's Degree and Post Graduate Certificate in Communications.

Tricia was appointed to the position of secretary on 30 October 2007 and resigned on 15 November 2017. Tricia has held roles as secretary for various solicitors and accountants for 20 years. Trish has assisted with the initial legal work for opening Community Banks around Australia and also with the sale and purchase of shares.

# Directors' report (continued)

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## 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 2018 \$	Year ended 30 June 2017 \$
100,061	130,400

## Dividends

	Year ended 30 June 2018	
	Cents	\$
Dividends paid in the year:	6.5	27,979

## Significant changes in the state of affairs

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

## Events since the end of the financial year

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

## Likely developments

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

## Environmental regulation

The company is not subject to any significant environmental regulation.

## Directors' benefits

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

## 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:

	Board Meetings Attended		Committee Meetings Attended					
			Marketing & Community Investment		Youth		Finance, Governance & HR	
	A	B	A	B	A	B	A	B
Timothy George Chandler	11	11	-	-	1	1	1	1
Jayne Louise Briody	11	7	3	1	4	3	-	-
Robert John Byrne	11	9	-	-	-	-	4	4
Stephen John Crook	11	9	-	-	-	-	4	2
Kate Louise Joss*	10	4	4	3	-	-	-	-
Nicholas Robert Forbes Shady	11	11	1	1	4	4	3	3
Cameron Russell*	5	2	3	3	-	-	-	-
Terry McCracken <sup>1</sup>	7	7	-	-	4	2	-	-
Alan McCarthney <sup>1</sup>	7	7	2	2	-	-	-	-

A - eligible to attend

B - number attended

1 - (Appointed 1 November 2017)

\* - leave of absence approved during the period

## 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 (PPT Audit Pty Ltd) for audit and non audit services provided during the year are set out in the notes to the accounts.

There were no non-audit services provided by the auditor during the year ended 30 June 2018 (2017: Nil).

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed in accordance with a resolution of the board of directors at Beaufort, Victoria on 13 September 2018.

**Timothy George Chandler,**  
Chairman

**Nicholas Robert Forbes Shady,**  
Director



# Auditor's independence declaration

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## Beaufort Community Financial Services Limited

### Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the Board of Beaufort Community Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 there have been:

- (i) no contraventions of the auditor independence requirements as set out in 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.

*PPT Audit Pty Ltd*  
PPT Audit Pty Ltd

A handwritten signature in dark ink, appearing to read 'J. Hargreaves', written over a light grey circular stamp or watermark.

Jason D. Hargreaves  
Director

20 Lydiard Street South, Ballarat

12<sup>th</sup> September 2018

# Financial statements

## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Revenue from ordinary activities	4	805,538	800,767
Employee benefits expense		(347,906)	(337,971)
Charitable donations, sponsorship, advertising and promotion		(127,880)	(105,724)
Occupancy and associated costs		(36,075)	(33,297)
Systems costs		(20,196)	(20,617)
Depreciation and amortisation expense	5	(23,402)	(23,802)
Finance costs	5	(3,581)	(3,433)
General administration expenses		(108,361)	(117,985)
<b>Profit before income tax expense</b>		<b>138,137</b>	<b>157,938</b>
Income tax expense	6	(38,076)	(27,538)
<b>Profit after income tax expense</b>		<b>100,061</b>	<b>130,400</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>100,061</b>	<b>130,400</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
Basic earnings per share	25	23.25	30.29

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Balance Sheet as at 30 June 2018

	Notes	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	265,387	268,479
Current tax assets	12	1,584	-
Investment portfolio	8	317,896	295,593
Trade and other receivables	9	66,044	56,573
<b>Total current assets</b>		<b>650,911</b>	<b>620,645</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	107,853	115,611
Intangible assets	11	41,212	52,404
Deferred tax asset	12	17,739	22,310
<b>Total non-current assets</b>		<b>166,804</b>	<b>190,325</b>
<b>Total assets</b>		<b>817,715</b>	<b>810,970</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	13	36,685	51,391
Current tax liabilities	12	-	6,994
Borrowings	14	5,777	5,359
Provisions	15	32,365	27,654
<b>Total current liabilities</b>		<b>74,827</b>	<b>91,398</b>
<b>Non-current liabilities</b>			
Trade and other payables	13	-	38,447
Borrowings	14	15,103	21,119
Provisions	15	5,445	9,748
<b>Total non-current liabilities</b>		<b>20,548</b>	<b>69,314</b>
<b>Total liabilities</b>		<b>95,375</b>	<b>160,712</b>
<b>Net assets</b>		<b>722,340</b>	<b>650,258</b>
<b>EQUITY</b>			
Issued capital	16	430,440	430,440
Retained earnings	17	291,900	219,818
<b>Total equity</b>		<b>722,340</b>	<b>650,258</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

### Statement of Changes in Equity for the year ended 30 June 2018

	Note	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2016		430,440	115,244	545,684
Total comprehensive income for the year		-	130,400	130,400
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	23	-	(25,826)	(25,826)
<b>Balance at 30 June 2017</b>		<b>430,440</b>	<b>219,818</b>	<b>650,258</b>
Balance at 1 July 2017		430,440	219,818	650,258
Total comprehensive income for the year		-	100,061	100,061
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	23	-	(27,979)	(27,979)
<b>Balance at 30 June 2018</b>		<b>430,440</b>	<b>291,900</b>	<b>722,340</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

### Statement of Cash Flows for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		871,394	877,925
Payments to suppliers and employees		(728,840)	(718,783)
Interest received		2,468	1,259
Interest paid		(3,581)	(3,433)
Income taxes paid		(42,084)	(58,151)
<b>Net cash provided by operating activities</b>	<b>18</b>	<b>99,357</b>	<b>98,817</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(4,452)	(28,856)
Proceeds from property, plant and equipment		-	19,091
Payments for intangible assets		(46,144)	-
Payments for investments		(18,276)	-
<b>Net cash used in investing activities</b>		<b>(68,872)</b>	<b>(9,765)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	30,000
Repayment of borrowings		(5,598)	(25,327)
Dividends paid	23	(27,979)	(25,826)
<b>Net cash used in financing activities</b>		<b>(33,577)</b>	<b>(21,153)</b>
<b>Net increase/(decrease) in cash held</b>		<b>(3,092)</b>	<b>67,899</b>
Cash and cash equivalents at the beginning of the financial year		268,479	200,580
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<b>265,387</b>	<b>268,479</b>

The accompanying notes form part of these financial statements.



# Notes to the financial statements

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For year ended 30 June 2018

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## Note 1. Summary of significant accounting policies

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### 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 Standards Board (AASB) 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 which 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 AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2017, and are therefore relevant for the current financial year.

AASB 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This accounting standard is not expected to have a material impact on the financial statements.

AASB 15 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. This accounting standard is not expected to have a material impact on the financial statements.

There are also a number of accounting standards and interpretations issued by the 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 2017. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

AASB 16 Leases is effective for annual periods beginning on or after 1 January 2019. The standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The company has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend on future economic conditions, including the company's borrowing rate at 1 January 2019, the composition of the lease portfolio at that date, the latest assessment of whether the company will exercise any lease renewal options and the extent to which the company chooses to use practical expedients and recognition exemptions.

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (*continued*)

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### a) Basis of preparation (*continued*)

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating lease of its branch. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to \$38,247, on an undiscounted basis (see Note 20).

No significant impact is expected for the company's finance leases.

#### *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 Beaufort, Victoria.

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

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

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

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

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

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

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

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (*continued*)

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### 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.

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

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

#### *Commission*

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

#### *Fee income*

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

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (*continued*)

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### b) Revenue (*continued*)

#### *Discretionary financial contributions*

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

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

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

#### *Ability to change financial return*

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

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.

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (*continued*)

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### 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 payable (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 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 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 gain from a bargain purchase.

### 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.



# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (*continued*)

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### 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	5 - 15	years
- plant and equipment	2.5 - 40	years
- motor vehicles	3 - 5	years

### h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

### i) Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

### j) Borrowings

All loans are initially measured at the principal amount. Interest is recognised as an expense as it accrues.

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (*continued*)

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### 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. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

#### *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) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

##### *(iv) Financial liabilities*

Financial liabilities include borrowings, trade and other payables and 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.

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.

# Notes to the financial statements (continued)

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## **Note 1. Summary of significant accounting policies (*continued*)**

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### **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) Issued capital**

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.

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## **Note 2. Financial risk management**

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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.

# Notes to the financial statements (continued)

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## Note 2. Financial risk management (*continued*)

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### (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 current bank bill swap rate is 1.8227% (2017: 1.7730%)

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 2018 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

# Notes to the financial statements (continued)

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## **Note 3. Critical accounting estimates and judgements**

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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 carried-forward 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 entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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



# Notes to the financial statements (continued)

## Note 3. Critical accounting estimates and judgements

### *Impairment of assets (continued)*

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

### *Fair value measurement*

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

Note 4. Revenue from ordinary activities	2018	2017
	\$	\$
Operating activities:		
- gross margin	604,396	586,451
- services commissions	92,128	101,280
- fee income	54,944	64,165
- market development fund	25,000	26,774
Total revenue from operating activities	<u>776,468</u>	<u>778,670</u>
Non-operating activities:		
- interest received	2,537	1,259
- other revenue (IOOF portfolio - income)	21,757	17,756
- other revenue (IOOF portfolio - increment)	4,027	2,196
- other revenue (sundry income)	749	886
Total revenue from non-operating activities	<u>29,070</u>	<u>22,097</u>
Total revenues from ordinary activities	<u>805,538</u>	<u>800,767</u>

## Notes to the financial statements (continued)

<b>Note 5.</b>	<b>Expenses</b>	<b>2018</b>	<b>2017</b>
		<b>\$</b>	<b>\$</b>
	Depreciation of non-current assets:		
	- plant and equipment	1,078	1,001
	- leasehold improvements	6,452	7,148
	- motor vehicle	4,680	4,596
	Amortisation of non-current assets:		
	- franchise agreement	2,239	8,211
	- franchise renewal fee	8,953	2,846
		<u>23,402</u>	<u>23,802</u>
	Finance costs:		
	- interest paid	<u>3,581</u>	<u>3,433</u>
	Bad debts	<u>31</u>	<u>167</u>
	Loss on disposal of assets	<u>-</u>	<u>3,467</u>
<b>Note 6.</b>	<b>Income tax expense</b>		
	The components of tax expense comprise:		
	- Current tax	33,506	36,719
	- Movement in deferred tax	4,570	6,749
	- Recognise deferred tax on unrealised losses on investments	-	(13,867)
	- Under/(over) provision of tax in the prior period	-	(2,063)
		<u>38,076</u>	<u>27,538</u>
	The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
	Operating profit	138,137	157,938
	Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	37,988	43,431
	Add tax effect of:		
	- non-deductible expenses	88	989
	- timing difference expenses	(4,570)	(7,701)
		<u>33,506</u>	<u>36,719</u>
	Movement in deferred tax	4,570	6,749
	Recognise deferred tax on unrealised losses on investments	-	(13,867)
	Under/(over) provision of income tax in the prior year	-	(2,063)
		<u>38,076</u>	<u>27,538</u>

# Notes to the financial statements (continued)

<b>Note 7. Cash and cash equivalents</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	137,783	232,736
Term deposits	127,604	35,743
	<u>265,387</u>	<u>268,479</u>

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

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Cash at bank and on hand	137,783	232,736
Term deposits	127,604	35,743
	<u>265,387</u>	<u>268,479</u>

## **Note 8. Investment portfolio**

IOOF Portfolio		
- Cash Account	6,476	4,309
- AMP Cap Global Infra Securities (Hedged)-Class A	8,729	-
- AMP Capital Global Property Securities Fund	12,535	11,705
- Bendigo Balanced Index Fund	162,935	150,088
- Bendigo Diversified Fixed Interest Fund	36,302	33,065
- BlackRock Australian Equity Opportunities Fund	9,825	9,664
- Grant Samuel Epoch Global Equity Shareholder Yield	24,473	25,777
- Macquarie Income Opportunities Fund	-	14,074
- Payden Global Income Opportunities Fund	8,852	-
- Platinum International Fund	-	21,102
- RARE Infrastructure Value Fund	-	9,781
- Sandhurst IML Industrial Share Fund	15,853	16,028
- Sandhurst Strategic Income Fund (Class B)	6,329	-
- T.Rowe Price Global Equity Fund	25,587	-
	<u>317,896</u>	<u>295,593</u>

## **Note 9. Trade and other receivables**

Trade receivables	55,595	50,083
Prepayments	10,380	6,490
Other receivables and accruals	69	-
	<u>66,044</u>	<u>56,573</u>

# Notes to the financial statements (continued)

Note 10. Property, plant and equipment	2018	2017
	\$	\$
Leasehold improvements		
At cost	247,563	247,563
Less accumulated depreciation	(166,825)	(160,373)
	<u>80,738</u>	<u>87,190</u>
Plant and equipment		
At cost	28,223	23,771
Less accumulated depreciation	(21,322)	(20,244)
	<u>6,901</u>	<u>3,527</u>
Motor vehicles		
At cost	27,926	27,926
Less accumulated depreciation	(7,712)	(3,032)
	<u>20,214</u>	<u>24,894</u>
Total written down amount	<u>107,853</u>	<u>115,611</u>
<b>Movements in carrying amounts:</b>		
Leasehold improvements		
Carrying amount at beginning	87,190	94,338
Additions	-	-
Disposals	-	-
Less: depreciation expense	(6,452)	(7,148)
Carrying amount at end	<u>80,738</u>	<u>87,190</u>
Plant and equipment		
Carrying amount at beginning	3,527	3,598
Additions	4,452	930
Disposals	-	-
Less: depreciation expense	(1,078)	(1,001)
Carrying amount at end	<u>6,901</u>	<u>3,527</u>
Motor vehicles		
Carrying amount at beginning	24,894	24,122
Additions	-	27,926
Disposals	-	(22,558)
Less: depreciation expense	(4,680)	(4,596)
Carrying amount at end	<u>20,214</u>	<u>24,894</u>
Total written down amount	<u>107,853</u>	<u>115,611</u>

## Notes to the financial statements (continued)

<b>Note 11. Intangible assets</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Franchise fee		
At cost	161,192	161,192
Less: accumulated amortisation	(152,950)	(150,711)
	<u>8,242</u>	<u>10,481</u>
Franchise renewal fee		
At cost	44,769	44,769
Less: accumulated amortisation	(11,799)	(2,846)
	<u>32,970</u>	<u>41,923</u>
Total written down amount	<u>41,212</u>	<u>52,404</u>
<b>Note 12. Tax</b>		
<b>Current:</b>		
Income tax payable/(refundable)	<u>(1,584)</u>	<u>6,994</u>
<b>Non-Current:</b>		
Deferred tax assets		
- accruals	894	894
- employee provisions	10,397	10,286
- investment portfolio	12,155	13,263
	<u>23,446</u>	<u>24,443</u>
Deferred tax liability		
- accruals	19	-
- property, plant and equipment	5,688	2,133
	<u>5,707</u>	<u>2,133</u>
Net deferred tax asset	<u>17,739</u>	<u>22,310</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>4,571</u>	<u>(9,182)</u>

## Notes to the financial statements (continued)

Note 13. Trade and other payables		2018	2017
		\$	\$
<b>Current:</b>			
Trade creditors		743	743
Other creditors and accruals		35,942	50,648
		<u>36,685</u>	<u>51,391</u>
<b>Non-Current:</b>			
Other creditors and accruals		<u>-</u>	<u>38,447</u>

Note 14. Borrowings			
<b>Current:</b>			
Chattel mortgage	20	<u>5,777</u>	<u>5,359</u>
<b>Non-Current:</b>			
Chattel mortgage	20	<u>15,103</u>	<u>21,119</u>

The company entered into a chattel mortgage with the final instalment due in November 2020. Interest is recognised at an implicit rate of 4.84%. The loan is secured by a fixed and floating charge over the company's assets.

Note 15. Provisions			
<b>Current:</b>			
Provision for annual leave		16,488	18,406
Provision for long service leave		15,877	9,248
		<u>32,365</u>	<u>27,654</u>
<b>Non-Current:</b>			
Provision for long service leave		<u>5,445</u>	<u>9,748</u>

# Notes to the financial statements (continued)

Note 16. Issued capital	2018	2017
	\$	\$
430,440 ordinary shares fully paid (2017: 430,440)	430,440	430,440
	<u>430,440</u>	<u>430,440</u>

## Rights attached to shares

### (a) *Voting rights*

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

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

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

### (b) *Dividends*

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

### (c) *Transfer*

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001*.

## Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 258. As at the date of this report, the company had 286 shareholders (2017: 285 shareholders).

# Notes to the financial statements (continued)

## Note 16. Issued capital (continued)

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

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

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

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

Note 17. Retained earnings	2018	2017
	\$	\$
Balance at the beginning of the financial year	219,818	115,244
Net profit from ordinary activities after income tax	100,061	130,400
Dividends provided for or paid	(27,979)	(25,826)
Balance at the end of the financial year	<u>291,900</u>	<u>219,818</u>

## Note 18. Statement of cash flows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	100,061	130,400
Non cash items:		
- depreciation	12,210	12,745
- amortisation	11,192	11,057
- gain in value of investment	(4,027)	(16,576)
- loss on disposal of assets	-	3,467
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(9,470)	17,447
- (increase)/decrease in other assets	2,986	(9,181)
- increase/(decrease) in payables	(7,009)	(6,193)
- increase/(decrease) in provisions	408	(22,917)
- increase/(decrease) in current tax liabilities	(6,994)	(21,432)
Net cash flows provided by operating activities	<u>99,357</u>	<u>98,817</u>



# Notes to the financial statements (continued)

## Note 19. Fair value measurement

This section explains the judgements and estimates made in determining the fair values of the company's assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the applicable assets have been classified into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

At 30 June 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Recurring fair value measurements:</b>				
Available-for-sale financial assets				
Listed investments:				
- investment portfolio	317,896	-	-	317,896
	<u>317,896</u>	<u>-</u>	<u>-</u>	<u>317,896</u>
Total assets at fair value	<u>317,896</u>	<u>-</u>	<u>-</u>	<u>317,896</u>

At 30 June 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Recurring fair value measurements:</b>				
Available-for-sale financial assets				
Listed investments:				
- investment portfolio	295,593	-	-	295,593
	<u>295,593</u>	<u>-</u>	<u>-</u>	<u>295,593</u>
Total assets at fair value	<u>295,593</u>	<u>-</u>	<u>-</u>	<u>295,593</u>

There were no transfers between Level 1 and Level 2 during the reporting period. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

- Level 1: The fair value of available-for-sale financial assets traded in active markets is based on the quoted market price at the close of business at the end of the reporting period.
- Level 2: The fair value of property, plant and equipment is based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.
- Level 3: There were no fair value measurements by the Level 3 fair value hierarchy.

# Notes to the financial statements (continued)

<b>Note 20. Leases</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	6,987	6,987
- between 12 months and 5 years	15,898	22,884
- greater than 5 years	-	-
Minimum lease payments	<u>22,885</u>	<u>29,871</u>
Less future finance charges	<u>(2,005)</u>	<u>(3,393)</u>
Present value of minimum lease payments	<u><u>20,880</u></u>	<u><u>26,478</u></u>

The finance lease is a chattel mortgage for a Ford Kuga. The contract is for a five-year lease with equal monthly repayments. The final instalment due in November 2020. Interest is recognised at an implicit rate of 4.84%. The loan is secured by a fixed and floating charge over the company's assets.

## Operating lease commitments

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

Payable - minimum lease payments:

- not later than 12 months	10,431	10,277
- between 12 months and 5 years	27,816	37,681
- greater than 5 years	-	-
	<u><u>38,247</u></u>	<u><u>47,958</u></u>

The property lease is a non-cancellable lease with a five-year term which was entered into on 1 February 2017, with rent payable monthly in advance. The lease has the option for two further terms of five years.

## Note 21. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:

- audit and review services	5,150	5,000
	<u><u>5,150</u></u>	<u><u>5,000</u></u>

## Note 22. Director and related party disclosures

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

Timothy George Chandler

Jayne Louise Briody

Robert John Byrne

Stephen John Crook

Kate Louise Joss

Nicholas Robert Forbes Shady

Cameron Russell

Terry McCracken (*Appointed 1 November 2017*)

Alan McCarthney (*Appointed 1 November 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.

# Notes to the financial statements (continued)

## Note 22. Director and related party disclosures *(continued)*

Directors Shareholdings	2018	2017
Timothy George Chandler	2,500	2,500
Jayne Louise Briody	700	700
Robert John Byrne	750	750
Stephen John Crook	250	250
Kate Louise Joss	500	500
Nicholas Robert Forbes Shady	2,000	2,000
Cameron Russell	300	300
Terry McCracken <i>(Appointed 1 November 2017)</i>	-	-
Alan McCarthy <i>(Appointed 1 November 2017)</i>	6,500	-

There was no movement in directors shareholdings during the year.

Note 23. Dividends provided for or paid	2018	2017
	\$	\$

### a. Dividends paid during the year

Current year dividend		
100% (2017: 100%) franked dividend - 6.5 cents (2017: 6 cents) per share	<u>27,979</u>	<u>25,826</u>

### b. Dividends proposed and not recognised as a liability

Current year final dividend		
100% (2017: 100%) franked dividend - 6.5 cents (2017: 6 cents) per share	<u>27,979</u>	<u>25,826</u>

The tax rate at which dividends have been franked is 27.5% (2017: 27.5%).

### c. Franking account balance

Franking credits available for subsequent reporting periods are:

- franking account balance as at the end of the financial year	149,013	117,373
- franking credits that will arise from payment of income tax as at the end of the financial year	7,528	16,274
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	<u>-</u>	<u>-</u>

Franking credits available for future financial reporting periods:	156,541	133,647
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- 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	<u>-</u>	<u>-</u>
Net franking credits available	<u>156,541</u>	<u>133,647</u>

# Notes to the financial statements (continued)

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## Note 24. Key management personnel disclosures

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

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

### Community Bank® Directors' Privileges Package

The board has adopted the **Community Bank®** Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank®** branch at Beaufort. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the directors from the Directors' Privilege Package are \$nil for the year ended 30 June 2018 (2017: \$nil).

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Note 25. Earnings per share	2018	2017
	\$	\$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	100,061	130,400
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	430,440	430,440

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## Note 26. Events occurring after the reporting date

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

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## Note 27. Contingent liabilities and contingent assets

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

# Notes to the financial statements (continued)

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## Note 28. Community Enterprise Foundation

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During the period the company contributed funds to the Community Enterprise Foundation (CEF), the philanthropic arm of the Bendigo and Adelaide Bank Group. These contributions form part of charitable donations and sponsorship expenditure included in the Statement of Profit or Loss and Other Comprehensive Income.

The funds contributed are held by the CEF in trust on behalf of the company and are available for distribution as grants to eligible applicants. The balance of funds held by the CEF as at 30 June 2018 is as follows:

	2018 \$	2017 \$
Opening balance	51,567	35,016
Contributions	85,790	52,632
Grants paid	(38,430)	(33,674)
Interest	509	225
Management fees	(4,289)	(2,631)
Balance available for distribution	<u>95,147</u>	<u>51,567</u>

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## Note 29. Segment reporting

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

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## Note 30. Registered office/Principal place of business

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

Registered Office  
17 Lawrence Street  
Beaufort Victoria 3373

Principal Place of Business  
17 Lawrence Street  
Beaufort Victoria 3373

# Notes to the financial statements (continued)

## Note 31. Financial instruments

### Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	137,783	232,736	127,604	35,743	-	-	-	-	-	-	0.43	0.22
Receivables	-	-	-	-	-	-	-	-	55,595	50,083	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	5,777	5,359	15,103	21,119	-	-	-	-	2.59	6.24
Payables	-	-	-	-	-	-	-	-	743	743	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 2018, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2018	2017
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	2,445	2,420
Decrease in interest rate by 1%	(2,445)	(2,420)
Change in equity		
Increase in interest rate by 1%	2,445	2,420
Decrease in interest rate by 1%	(2,445)	(2,420)

# Directors' declaration

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In accordance with a resolution of the directors of Beaufort 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 2018 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.



**Timothy George Chandler,**  
**Chairman**



**Nicholas Robert Forbes Shady,**  
**Director**

Signed on the 13th of September 2018.

# Independent audit report

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## Independent Auditor's Report

### To the Directors of Beaufort Community Financial Services Limited

#### **Opinion**

We have audited the financial report of Beaufort Community Financial Services Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company 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 2018 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be in the same terms if given to the Directors as at the time of this auditor's report.

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

#### **Responsibilities of Directors for the Financial Report**

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the Directors determines 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 intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's Responsibilities for the Audit of the Financial Report**

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



# Independent audit report (continued)

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## Independent Auditor's Report

### To the Directors of Beaufort Community Financial Services Limited

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

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

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

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

*PPT Audit Pty Ltd*  
PPT Audit Pty Ltd

A handwritten signature in dark ink, appearing to read 'J. Hargreaves', written over a circular stamp or seal.

Jason D. Hargreaves  
Director

Signed at Ballarat  
27<sup>th</sup> September 2018

Beaufort **Community Bank**<sup>®</sup> Branch  
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Phone: (03) 5349 2322

Skipton agency  
17 Montgomery Street, Skipton VIC 3361  
Ph: (03) 5340 2105

Franchisee: Beaufort Community Financial Services Limited  
17 Lawrence Street, Beaufort VIC 3373  
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ABN: 53 097 961 058

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