

# Annual Report 2018

Balnarring & District Community Services Limited

Balnarring & District  
**Community Bank**® Branch

ABN 84 127 842 059



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# Chairman's report

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For year ending 30 June 2018

## **Your bank, sharing profits, investing in our community**

It is with a great deal of pleasure that I present the 10th Annual Report of Balnarring & District Community Services Limited. Business growth has once again been above budget and seen our company perform well in a competitive banking sector over the 2017/18 financial year. Directors and staff alike are very proud of the pleasing increase in profit after provision for income tax.

Balnarring & District **Community Bank**<sup>®</sup> Branch celebrated its tenth birthday at a community party on 16 June 2018 and we were thrilled to achieve our dream of returning \$1 million to the community since opening in 2008 at that event.

Reaching the \$1 million mark was an impressive achievement for a community enterprise that seemed a far-off dream just ten years ago. We have taken the vision of those who worked so hard to establish a locally-owned and operated bank and turned it into a reality, financially supporting hundreds of community initiatives in the process.

We thank our shareholders and our many customers for their continued support, which has led to the success of our **Community Bank**<sup>®</sup> branch and without which none of it could have happened.

My Board and I continue to have a strong and co-operative working relationship with our major partner, Bendigo and Adelaide Bank Limited, as we work together to ensure the growth of the business and the best possible outcome for all. Our shareholders can remain confident that this relationship is based on mutual respect and a commitment to ongoing, robust discussions.

As a cohesive, stable and highly experienced Board with extremely high standards of governance, we will continue to work in the best interests of shareholders and the community. A comprehensive Strategic Plan developed in partnership with our staff and designed to generate growth in all areas of the business, whilst addressing ongoing changes in the banking environment, is in place and regularly reviewed to ensure relevance and effectiveness.

The role of a volunteer director on a **Community Bank**<sup>®</sup> company board is complex and requires a significant commitment, so I would like to thank the members of my Board, who continue to devote many hours to ensuring both the success of our business and extremely high standards.

Members of communities from Somers to Flinders and across to Red Hill South continue to embrace the **Community Bank**<sup>®</sup> model and support our branch with their banking. We are committed to ensuring that Balnarring & District **Community Bank**<sup>®</sup> Branch remains relevant to the needs and aspirations of all communities as we increase our involvement in each, with the aim of achieving the best possible outcomes.

Staff and directors will continue to work closely with community members to identify and support their priorities through our community investments and by working in partnership with community groups and the huge number of volunteers who work so hard to make our communities even better places in which to live.

We have supported in excess of 100 community groups and organisations over the past 10 years, providing funds to facilitate a wide range of local projects and events. The success of your **Community Bank**<sup>®</sup> branch means that we are now able to invest significant funds in the provision of local infrastructure and facilities such as Flinders Fire Station, Balnarring Recreation Reserve, Point Leo Surf Life Saving Club and Balnarring's Civic Court Development.

Our returns to community as sponsorships and donations to our many hard-working community groups during 2017/18 totalled \$121,790 and the organisations we have supported include:

- Flinders Golf Bowls Club
- Flinders Cricket Club
- Friends of Coolart
- Balnarring Basketball Club
- Balnarring Scouts, Schnapper Point Venturers
- Somers & Balnarring Tennis Clubs
- Somers Chamber Music Society
- Riding for the Disabled, Victoria

## Chairman's report (continued)

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Your Board's commitment to young people continues through our 'Young Leader Award' in The Bridge Magazine and our ongoing and strong working relationship with the Mornington Peninsula Shire's Youth Services team. **Community Bank**<sup>®</sup> and Bendigo branches across the Peninsula jointly funded a second Youth Leadership Camp team for over thirty Year 10 students from state secondary schools across the Peninsula and run by the Shire's Youth Services team this year. We are particularly proud of our leading role in setting up this valuable opportunity for students who may not otherwise have had the chance to do so, to learn a range of leadership skills.

During 2017/18 we paid our sixth dividend of 7.0 cents per share, with a total payment to shareholders of \$58,800, making our total returns to community during the 2017/18 financial year \$180,590.

The end of the 2017/18 financial year saw a total return of some \$1,079,390 to our communities as donations, grants, sponsorships, dividend payments and funds held for future payments, since the branch opened in 2008.

This is a very real demonstration of why Balnarring & District **Community Bank**<sup>®</sup> Branch is such a valued community venture and of the power of community banking, a business model designed to support and build the local community. Thanks to the loyalty of our shareholders and customers and the hard work of our branch staff and volunteer directors, we have grown to be one of the biggest sources of community funding in our district.

Over the past year we have seen just two changes to our Board. Claire Thorn was appointed in November 2017 and brings valuable representation for the Flinders area. Natasha Albers was appointed to the Board in February this year and as a young person, brought immensely valuable insights to our decision-making. Sadly, Natasha was unable to continue as a Director as she worked to ready herself for university next year, so we very reluctantly accepted her resignation in June. We look forward to appointing another young person to the Board at the earliest opportunity.

I would like to commend and thank our Branch Manager Greg Hood and his staff team of Sharra, Glenys, Melinda, Joanne and Tracey, for their professionalism, commitment to excellent customer service and hours of unpaid work, all of which will contribute to our bank and our communities reaching their potential.

Thank you also to our Regional Manager Simon Sponza, our Regional Community Manager Tania Hansen and their ever-helpful team for their support and assistance over the past year.

Finally, a big thank you to our many community partners. Such partnerships are vital as we work together to achieve a shared community vision of our future by taking control of our finances.

If you are a shareholder who is not yet a customer, we would ask you to consider why not. I would encourage you to bring your banking across so that we can make even more significant investments in the prosperity of the community in which you live. Remember, we are committed to our community because we are owned by our community.

If you are a customer, thank you for your support and please continue to advocate for us by recommending us to family and friends. If you are a member of a club, can you organise for Greg to come and talk to fellow members about becoming a customer? Can you ask if your club banks with our **Community Bank**<sup>®</sup> branch? As a customer and shareholder, you are a most valuable ambassador and advocate for our business.

At Balnarring & District **Community Bank**<sup>®</sup> Branch the work to grow our business continues. We have set ourselves the challenge of returning the next \$1 million in just five years. Will you be part of meeting this challenge as we help to realise the dreams of our communities?



**Heather Goddard**

**Chair**

# Manager's report

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For year ending 30 June 2018

It is with great pride and pleasure that I present this report and can start by saying that the financial year ending 30 June 2018 for the Balnarring & District **Community Bank**<sup>®</sup> Branch has been extremely successful.

Over the year we were able to grow our total banking business by \$14.45 million. This increase was made up of increases in balances right across our business:

- Our lending book balances increased to total balances of \$66.5 million.
- Our deposit balances increased to total balances of \$104.20 million.
- Our balances of other banking business increased to total balances of \$13.3 million.

Due to this increase, the business has been able to generate a strong positive cash flow, which is reflected in the company's liquid cash reserves, and an increased profit result of \$162,185 before tax.

This is an excellent result for our branch given the current banking environment in which we are operating and it did not happen without the outstanding work of our staff, Board members and continued support of our local community.

Our challenge going forward is to continue to grow our business. This growth is only possible through the continued support of existing customers by doing more of their banking with the branch and the introduction of new customers to the branch who currently do not bank with Bendigo Bank.

I would like to take this opportunity to thank my staff – Sharra Valentine (Customer Relationship Manager), Glenys Wandmaker (Customer Relationship Officer), Melinda Symes (Customer Relationship Officer), Joanna Albress (Customer Service Officer) and Tracey Cullum (Customer Service Officer), who have real pride in what they do for our customers and the difference that they are able to make to our community. They are to be congratulated for their efforts, professionalism, level of service and commitment to both the business and the community. It has been a pleasure to work with such a dedicated team.

We are also very fortunate to have access to some excellent banking specialists, including Mick Radecki (Business Banking Manager) and Catriona Graham (Financial Planner). We work very closely with both Mick and Catriona, both of whom provide exceptional service and advice to our customers. We thank them for the value that they add to our business.

At Board level, there has been continued strong support for the branch. We have a terrifically active Board of Directors, led by the passionate Heather Goddard and I would like to pass on my thanks to each and every Director. Our Board continues to be the envy of many other **Community Bank**<sup>®</sup> branches for the support that they provide to our branch.

Also, a thank you to our partner Bendigo Bank and especially our Regional Team lead by Regional Manager Simon Sponza and Regional Community Manager, Tania Hansen. The fantastic support we receive from Simon, Tania and their team has certainly contributed to our successful year and is very much appreciated.

The branch has a fantastic relationship with our community and the many community groups that we have been able to support. Thank you to all members of the community for their support. What we do is unique and our challenge going forward is to continue to grow our relationship with our community and ensure even greater outcomes.

To announce at our 10th birthday celebrations that the Branch had been able to support over 100 community groups since opening its doors, with over \$1 million dollars returned, was a highlight of the year.

On the back of this announcement we have now set ourselves a goal of returning a further \$1 million to the community in the next five years. The way in which we will be able to do this is to continue to grow our business with existing customers and new customers. I would encourage all existing customers to recommend that family and friends to come in and talk to us about how we might be able to help them with their banking and show them how banking with us can make a difference.

Thank you to everyone for their support and I look forward to a rewarding and successful year ahead.



**Greg Hood**

**Branch Manager**

# Dividend payment history

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<b>Dividend to shareholders</b>			
<b>Financial Year</b>	<b>Amount Per Share</b>	<b>Franking Level*</b>	<b>Date Paid</b>
2016/2017	\$0.07	Unfranked	18/08/2017
2015/2016	\$0.06	Unfranked	30/08/2016
2014/2015	\$0.055	Unfranked	30/10/2015
2013/2014	\$0.05	Unfranked	13/10/2014
2012/2013	\$0.03	Unfranked	15/11/2013
2011/2012	\$0.02	Unfranked	15/06/2013



# Community investments

Balnarring & District **Community Bank**<sup>®</sup> Branch community groups and organisations supported July 2008 to June 30 2018.

1. Australian Red Cross – Balnarring Unit
2. Balnarring Auskick
3. Balnarring Boomerang Bags
4. Balnarring Bowls & Social Club
5. Balnarring Business Group
6. Balnarring Fire Brigade
7. Balnarring Community Fireworks
8. Balnarring Community Flower Show
9. Balnarring Cricket Club
10. Balnarring & District Historical Society
11. Balnarring & District ANZAC Day Organisation
12. Balnarring District Netball Club
13. Balnarring Foreshore Committee
14. Balnarring Lions Club
15. Balnarring Musos
16. Balnarring Occasional Care Centre
17. Balnarring Picnic Races
18. Balnarring Pony Club
19. Balnarring Pre-School
20. Balnarring Primary School
21. 1st Balnarring Scouts
22. Balnarring Senior Citizens Club
23. Balnarring Storm Basketball Club
24. Balnarring Tennis Club
25. Balnarring Thunder Junior Football Club
26. Balnarring Village Common
27. Bittern Combined Probus Club
28. Bittern Fire Brigade
29. Brigid's Paddock Revegetation Project
30. Bundjill's Nest Project
31. Cerberus Ships Ball
32. CWA Balnarring Branch
33. Defibrillator Provision Program
34. Daimler Lanchester Club
35. Disabled Surfers Association Mornington
36. Peninsula
37. Dress for Success
38. Dromana Secondary College
39. Emu Plains Committee of Management
40. Fit2Drive
41. Flinders Art Show
42. Flinders Fire Brigade
43. Flinders Community Association
44. Flinders Cricket Club
45. Flinders District Historical Society
46. Flinders Golf Bowls Club
47. Flinders Golf Club
48. Flinders Lions Club
49. Flinders Pre-School
50. Flinders Yacht Club
51. Frankston & Mornington Peninsula Excellence in Business Awards
52. Frankston Peninsula Carers Inc
53. Friends of Bill Carroll Reserve
54. Friends of Coolart
55. Friends of Flinders Coastline
56. Friends of Somers Foreshore Inc
57. Gentle Warriors Program
58. Hastings Area Pre-School Association
59. Hastings Cancer Support Group
60. Hastings Pony Club
61. Lord Somers Camp
62. Merricks Yacht Club
63. Merricks Coolart Catchment
64. Mornington Peninsula Cricket Association
65. Mornington Peninsula Cricket Umpire Association
66. Mornington Peninsula Junior Football League
67. Mornington Peninsula Marine Alliance
68. Mornington Peninsula Nepean Football League
69. Mornington Peninsula Netball Association
70. Mornington Peninsula Schools Environment Week
71. Mornington Peninsula Shire Youth Programs
72. Navy Steam Club
73. Open Family Australia
74. OXFAM – Trail Walkers
75. Peninsula All Abilities Vaulters
76. Peninsula Home Hospice
77. Peninsula Studio Trail
78. Peninsula Summer Music Festival
79. Point Leo Boat Club
80. Point Leo Foreshore Reserve
81. Point Leo Surf Life Saving Club
82. Presentation Family Centre
83. Probus Club of Balnarring Inc
84. Red Hill Agricultural & Horticultural Society
85. Red Hill Riders Mountain Bike Club
86. RDAV Peninsula Group
87. RDAV Mornington Carriage Driving Centre
88. Rosebud Heart Soccer Club
89. Scarecrow Festival
90. Schools of the Southern Peninsula Science Fair
91. Shave for a Cure
92. Shoreham Fire Brigade
93. Shoreham Community Association
94. Somers Boomerang Bags
95. Somers Chamber Music Society
96. Somers Fire Brigade
97. Somers Girl Guides
98. Somers Neighbourhood Watch
99. Somers Paper Nautilus
100. Somers Pre-School
101. Somers Primary School
102. Somers Residents' Association
103. Somers School Camp
104. Somers Tennis Club
105. Somers Yacht Club
106. Spot 'a'
107. Southern Peninsula Schools Science Fair
108. St Johns Flinders Recitals
109. St Marks Balnarring Pipe Organ
110. The Bridge Magazine
111. The Flinders Singers
112. The Semiquavers
113. Thin Green Line Foundation
114. Caroline Chisholm Foundation, WP Connect
115. Westernport Coast Guard
116. Westernport Model Aircraft Club
117. Westernport Rotary Club
118. Westernport Uniting Church Craft Festival
119. Western Port Yacht Club
120. YMCA Skate Park League
121. Young Adventurers' League
122. Young Leader Award
123. 3RPP

# Annual Report

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## Message from Bendigo and Adelaide Bank - 2018

It's been 20 years since the doors to the first **Community Bank**<sup>®</sup> branch opened. And it has only been a few months since the latest, the 321<sup>st</sup>, **Community Bank**<sup>®</sup> 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**<sup>®</sup> 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**<sup>®</sup> 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**<sup>®</sup> 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**<sup>®</sup> contributions, all because of people banking with their local **Community Bank**<sup>®</sup> branch.

Be the change has further highlighted the power of the model. For others, customers are important. For our **Community Bank**<sup>®</sup> 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**<sup>®</sup> 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**<sup>®</sup> 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**<sup>®</sup> branch network in Australia.

We value your initial contribution and your ongoing support of your **Community Bank**<sup>®</sup> 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 year ending 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:

### **Heather Goddard**

Chair

Occupation: Retired

Qualifications, experience and expertise: Diploma of Teaching Primary & Graduate Diploma in Educational Studies (Learning Difficulties in Language and Mathematics). Retired primary teacher. State Parliamentary Electorate Officer 1982-1986. Balnarring Primary School Early Years Literacy Co-ordinator 1993-2009; BPS Sustainability Co-ordinator 2009-2011. Founding member of the Balnarring Community Wetlands Committee; member of the WP (Western Port) Connect Advisory Group; member of the Friends of Balbirooroo Wetlands; member of the Merricks-Coolart Catchment Landcare Group.

Special responsibilities: Chair, Governance & Shareholder Relations Committee, Marketing & Sponsorship Committee and Public Relations Co-ordinator.

Interest in shares: 1,500

### **Mark John Loughton**

Deputy Chair

Occupation: Lawyer

Qualifications, experience and expertise: Mark works as a Lawyer at BSA Legal Balnarring since 2011 and was a member of Victoria Police from 1988 - 2011. Bachelor of Law (Honours), Graduate Diploma in Legal Practice. He is the Vice-President of the Crib Point Football Netball Club and was a Committee member of Balnarring Junior Football Club from 2008 - 2017. He was also awarded a life membership of the Balnarring Junior Football club in 2017.

Special responsibilities: Governance & Shareholder Relations Convenor and HR Committee.

Interest in shares: Nil

### **Christopher John Gurney**

Treasurer

Occupation: Director

Qualifications, experience and expertise: Bachelor of Economics Monash University. Graduate of Australian Institute of Company Directors. Past positions in Marketing and General Management with Unilever, Beecham, SCA and Bakers Delight. Key roles were Acting Managing Director Sancellia SCA UK, General Manager Deeko, Logistics and Purchasing Manager CHH/SCA, President COBS. Bread North America (Bakers Delight), GM Marketing and Operations Bakers Delight Australia and NZ. Current positions part time, Director Bakers Delight Holdings Ltd, Senior Associate XPotential Australia and NZ Consulting. Special responsibilities: Treasurer, Business Development Committee and Finance & Budget Committee Convenor.

Interest in shares: 18,400

### **Chantelle Marie Waterson**

Director (Maternity Leave from 20 August 2017 to 30 June 2018)

Occupation: Accountant

Qualifications, experience and expertise: Bachelor in Commerce, Post Graduate Diploma of Accounting and is a Certified Practising Accountant (CPA). Currently the Finance Manager at Montalto Vineyard. Previous experience as a Business Analyst and Commercial Analyst at Powercor and Citipower. She is also the Treasurer of Rye Kindergarten.

Special responsibilities: Finance & Budget Committee.

Interest in shares: 500

# Directors' report (continued)

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## **Directors (continued)**

### **Andrew Scott Thomas**

Director

Occupation: Technical Training Support Officer

Qualifications, experience and expertise: Andrew is currently a Technical Training Support Officer HMAS CERBERUS, Chief Petty Officer Electronics Communications RAN (Reserve), Petty Officer Electronics Communications RAN (Permanent). He holds a Diploma of Quality Auditing, Cert IV in Training and Assessment and Diploma of Engineering in Communications Systems. Balnarring Village Common Community Group - Treasurer & Planning Sub-committee Convener.

Special responsibilities: Convener of Marketing & Sponsorship Committee.

Interest in shares: 4,600

### **Ronald Graham Kempster**

Director

Occupation: Retired

Qualifications, experience and expertise: Completed tertiary studies in the UK and holds qualifications in Engineering and Industrial engineering. In Melbourne, added a Graduate Diploma of Management Systems from Swinburne. Since moving to Melbourne in 1971 Ron has held Business Consultant and IT management positions with a major Australian airline, a Quality Manager position with a national computer group and was Operations Support Manager with a long established financial services company. Involvement in several local community groups, some as treasurer.

Special responsibilities: Business Development Committee, Marketing & Sponsorship Committee and Finance & Budget Committee.

Interest in shares: Nil

### **Stuart Whiteley**

Director

Occupation: Executive

Qualifications, experience and expertise: Stuart is a successful business executive with extensive commercial, strategic and program management expertise across a range of international companies. His work and experience has taken him around the world and he has a proven track record in the delivery of large and complex high technology programs reflecting his energetic and innovative management style. Stuart is an enthusiastic and committed member of the Australian institute of Project Management. At home he is a keen photographer, bush walker and enjoys camping with his family. Although relatively new to Somers and Balnarring, Stuart and his wife Sarah have quickly grown to love the beauty and tranquility of the area and is excited to have the opportunity to bring his experience and knowledge to make a difference into the local community, working hard on the board of the Balnarring and District Community Bank Branch. Special responsibilities: Governance & Shareholder Relations Committee and Business & Development Committee Convenor.

Interest in shares: Nil

### **Pamela Elizabeth Ford**

Director

Occupation: Retired

Qualifications, experience and expertise: Tertiary qualifications: Diploma of Welfare Studies, B.Arts Sociology and Human Resources, Monash University. Trustee Crib Point Cemetery Trust (DHHS appointment); Mornington Obedience Dog Club, Secretary; Western Port Visitors Centre.

Special responsibilities: Human Resources Committee Convenor.

Interest in shares: Nil

# Directors' report (continued)

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## Directors (continued)

### **Kym Anthony Bridgford**

Director

Occupation: Retired

Qualifications, experience and expertise: 41 years with Education. Employed by the Department of Education and Early Child Development. Worked at Cranbourne Secondary, Hastings High School, Pakenham Secondary, Western Port Secondary and Koo Wee Rup Secondary. Held many varied positions until finally reaching principal for the last eight years. In all roles I have worked on many committees associated with Staffing/HR, Financing, School Council, Welfare and more. Local resident in Balnarring for 15 years and 17 at Merricks.

Special responsibilities: Marketing & Sponsorship Committee.

Interest in shares: 1,000

### **Claire Louisa Thorn**

Director (Appointed 28 November 2017)

Occupation: Public Sector Manager

Qualifications, experience and expertise: Claire completed a Bachelor of Arts (Social Sciences) at Monash University. She then went on to complete a Master in Public Policy and Management and an Executive Masters of Public Administration at the University of Melbourne. Claire is a member of the Australian Institute of Company Directors.

Special responsibilities: Nil

Interest in shares: Nil

### **Natasha Sophia Albers**

Director (Appointed 27 February 2018, Resigned 6 June 2018)

Occupation: Italian Language Assistant

Qualifications, experience and expertise: Natasha completed VCE in 2017 and was announced Dux of Padua College with an ATAR of 97.90. She was the School Captain of Padua College and a member of the 2016 Timar Leste Immersion. Natasha has skill in public speaking, communication and organisation.

Special responsibilities: Marketing & Sponsorship Committee.

Interest in shares: Nil

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

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

## **Company Secretary**

The company secretary is Melinda Symes. Melinda was appointed on 12 April 2013, resigned on 26 August 2015 and was reappointed to the position of secretary on 25 November 2015.

Qualifications, experience and expertise: As an experienced Senior Accounts Manager and Customer Relationship Manager, Melinda is well qualified to support the Board and oversee the governance and administrative functions of the company.

## **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.

# Directors' report (continued)

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## 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 \$
117,583	128,617

## Dividends

	Year ended 30 June 2018	
	Cents	\$
Dividends paid this year:	7	58,800

## Significant changes in the state of affairs

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

## Events since the end of the financial year

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

## Likely developments

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

## Environmental regulation

The company is not subject to any significant environmental regulation.

## Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 20 and 22 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

## Indemnification and insurance of directors and officers

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

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									
			Governance & Shareholder Relations		Finance & Budget		Human Relations		Business Development		Marketing & Sponsorship	
	A	B	A	B	A	B	A	B	A	B	A	B
Heather Goddard	11	9	4	4	-	-	3	3	-	-	12	6
Chantelle Marie Waterson***	11	-	-	-	-	-	-	-	-	-	-	-
Christopher John Gurney	11	9	-	-	2	2	-	-	5	4	-	-
Mark John Laughton	11	8	4	4	-	-	3	1	-	-	-	-
Andrew Scott Thomas	11	10	-	-	-	-	-	-	-	-	12	12
Ronald Graham Kempster	11	9	-	-	2	1	-	-	5	5	12	9
Stuart Whiteley	11	9	4	4	-	-	-	-	5	5	-	-
Pamela Elizabeth Ford	11	9	-	-	-	-	3	3	-	-	5	3
Kym Anthony Bridgford	11	6	-	-	-	-	-	-	-	-	12	6
Claire Louisa Thorn*	7	6	-	-	-	-	-	-	-	-	-	-
Natasha Sophia Albers**	4	2	-	-	-	-	-	-	-	-	3	3

A - eligible to attend  
B - number attended

\* (Appointed 28 November 2017)  
\*\* (Appointed 27 February 2018, Resigned 6 June 2018)  
\*\*\* (Maternity Leave from 20 August 2017 to 30 June 2018)

## Proceedings on behalf of the company

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

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

# Directors' report (continued)

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## **Non audit services**

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

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

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

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

## **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

Signed in accordance with a resolution of the board of directors at Balnarring, Victoria on 28 August 2018.



**Heather Goddard**

**Chair**



# Auditor's independence declaration

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

As lead auditor for the audit of Balnarring & District Community Services Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated: 28 August 2018

**David Hutchings**  
Lead Auditor

# 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	1,017,778	936,457
Employee benefits expense		(400,302)	(372,832)
Charitable donations, sponsorship, advertising and promotion		(218,855)	(149,735)
Occupancy and associated costs		(74,653)	(71,055)
Systems costs		(20,000)	(20,016)
Depreciation and amortisation expense	5	(33,074)	(27,411)
Finance costs	5	(1,689)	(1,520)
General administration expenses		(107,020)	(116,485)
<b>Profit before income tax expense</b>		<b>162,185</b>	<b>177,403</b>
Income tax expense	6	(44,602)	(48,786)
<b>Profit after income tax expense</b>		<b>117,583</b>	<b>128,617</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>117,583</b>	<b>128,617</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
Basic earnings per share	23	14.00	15.31

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	601,508	491,973
Trade and other receivables	8	78,070	92,233
<b>Total Current Assets</b>		<b>679,578</b>	<b>584,206</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	99,720	116,645
Intangible assets	10	65,492	12,691
Deferred tax asset	11	13,078	10,522
<b>Total Non-Current Assets</b>		<b>178,290</b>	<b>139,858</b>
<b>Total Assets</b>		<b>857,868</b>	<b>724,064</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	41,786	20,982
Current tax liabilities	11	33,592	24,746
Borrowings	13	5,494	3,564
Provisions	14	37,349	32,910
<b>Total Current Liabilities</b>		<b>118,221</b>	<b>82,202</b>
<b>Non-Current Liabilities</b>			
Trade and other payables	12	43,633	-
Borrowings	13	29,174	36,356
Provisions	14	5,258	2,707
<b>Total Non-Current Liabilities</b>		<b>78,065</b>	<b>39,063</b>
<b>Total Liabilities</b>		<b>196,286</b>	<b>121,265</b>
<b>Net Assets</b>		<b>661,582</b>	<b>602,799</b>
<b>Equity</b>			
Issued capital	15	815,096	815,096
Accumulated losses	16	(153,514)	(212,297)
<b>Total Equity</b>		<b>661,582</b>	<b>602,799</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

	Notes	Issued capital \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2016</b>		<b>815,096</b>	<b>(290,514)</b>	<b>524,582</b>
Total comprehensive income for the year		-	128,617	128,617
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	(50,400)	(50,400)
<b>Balance at 30 June 2017</b>		<b>815,096</b>	<b>(212,297)</b>	<b>602,799</b>
<b>Balance at 1 July 2017</b>		<b>815,096</b>	<b>(212,297)</b>	<b>602,799</b>
Total comprehensive income for the year		-	117,583	117,583
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	(58,800)	(58,800)
<b>Balance at 30 June 2018</b>		<b>815,096</b>	<b>(153,514)</b>	<b>661,582</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		1,123,180	991,023
Payments to suppliers and employees		(915,400)	(807,730)
Interest received		8,647	9,221
Interest paid		(1,689)	(1,520)
Income taxes paid		(38,312)	-
<b>Net cash provided by operating activities</b>	<b>17</b>	<b>176,426</b>	<b>190,994</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(2,839)	(41,390)
Proceeds from property, plant and equipment		-	16,364
<b>Net cash used in investing activities</b>		<b>(2,839)</b>	<b>(25,026)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(5,252)	(17,981)
Proceeds from borrowings		-	39,920
Dividends paid	21	(58,800)	(50,400)
<b>Net cash used in financing activities</b>		<b>(64,052)</b>	<b>(28,461)</b>
<b>Net increase in cash held</b>		<b>109,535</b>	<b>137,507</b>
Cash and cash equivalents at the beginning of the financial year		491,973	354,466
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<b>601,508</b>	<b>491,973</b>

The accompanying notes form part of these financial statements

# Notes to the Financial Statements

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For the year ended 30 June 2018

## Note 1. Summary of significant accounting policies

### **a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a forprofit 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)

### a) Basis of preparation (continued)

#### Application of new and amended accounting standards (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 \$234,959, on an undiscounted basis (see Note 18).

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 Balnarring, 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 in relation to:

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

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

### b) Revenue

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

#### Revenue calculation

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

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

# Notes to the financial statements (continued)

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

### **b) Revenue (continued)**

#### Core banking products

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

#### Margin

Margin is arrived at through the following calculation:

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

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

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

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

#### Commission

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

#### Fee income

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

#### Discretionary financial contributions

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

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

# Notes to the financial statements (continued)

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

### **b) Revenue (continued)**

#### Monitoring and changing financial return

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

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

### **c) Income tax**

#### Current tax

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

#### 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.

# Notes to the financial statements (continued)

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

### e) Cash and cash equivalents

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

### f) Trade receivables and payables

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

### g) Property, plant and equipment

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

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

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

- 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.

### 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 de recognised 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.

# Notes to the financial statements (continued)

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

### **k) Financial instruments (continued)**

#### Classification and subsequent measurement

- (i) Loans and receivables  
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.
- (ii) Held-to-maturity investments  
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.
- (iii) Financial liabilities  
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.

### **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.

# Notes to the financial statements (continued)

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## Note 2. Financial Risk Management

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

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

### (i) Market risk

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

### (ii) Price risk

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

### (iii) Credit risk

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

### (iv) Liquidity risk

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

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

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

### (vi) Capital management

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

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

The distribution limit is the greater of:

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 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 2. Critical accounting estimates and judgements

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

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

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

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

### Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from 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.

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

## Notes to the financial statements (continued)

	2018 \$	2017 \$
<b>Note 4. Revenue from ordinary activities</b>		
Operating activities:		
- gross margin	849,118	643,419
- services commissions	92,516	214,108
- fee income	52,865	48,465
- ATM income	4,973	4,836
- market development fund	10,000	12,500
<b>Total revenue from operating activities</b>	<b>1,009,472</b>	<b>923,328</b>
Non-operating activities:		
- interest received	8,306	6,767
- profit on disposal of non-current assets	-	6,362
<b>Total revenue from non-operating activities</b>	<b>8,306</b>	<b>13,129</b>
<b>Total revenues from ordinary activities</b>	<b>1,017,778</b>	<b>936,457</b>

## Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	9,644	9,756
- motor vehicle	10,120	3,811

Amortisation of non-current assets:

- franchise agreement	2,222	2,307
- franchise renewal fee	11,088	11,537
	<b>33,074</b>	<b>27,411</b>

Finance costs:

- interest paid	1,689	1,520
<b>Bad debts</b>	<b>452</b>	<b>230</b>
<b>Loss on disposal of asset</b>	<b>-</b>	<b>716</b>

## Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	47,158	24,746
- Movement in deferred tax	(2,556)	(3,390)
- Recoupment of prior year tax losses	-	27,430
	<b>44,602</b>	<b>48,786</b>

## Notes to the financial statements (continued)

	2018 \$	2017 \$
<b>Note 6. Income tax expense (continued)</b>		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	162,185	177,403
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	44,602	48,786
Add tax effect of:		
- timing difference expenses	2,556	3,390
	<b>47,158</b>	<b>52,176</b>
Movement in deferred tax	(2,556)	(3,390)
	<b>44,602</b>	<b>48,786</b>

## Note 7. Cash and equivalents

Cash at bank and on hand	64,383	138,479
Term deposits	537,125	353,494
	<b>601,508</b>	<b>491,973</b>

### 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	64,383	138,479
Term deposits	537,125	353,494
	<b>601,508</b>	<b>601,508</b>

## Note 8. Trade and other receivables

Trade receivables	71,940	79,744
Prepayments	5,418	6,290
Other receivables and accruals	712	6,199
	<b>78,070</b>	<b>92,233</b>

## Note 9. Property, plant and equipment

Plant and equipment		
At cost	299,410	296,571
Less accumulated depreciation	(230,083)	(220,439)
	<b>69,327</b>	<b>76,132</b>

## Notes to the financial statements (continued)

	2018 \$	2017 \$
<b>Note 9. Property, plant and equipment (continued)</b>		
Motor vehicles		
At cost	41,710	41,710
Less accumulated depreciation	(11,317)	(1,197)
	<b>30,393</b>	<b>40,513</b>
<b>Total written down amount</b>	<b>99,720</b>	<b>116 645</b>
<b>Movements in carrying amounts:</b>		
Plant and equipment		
Carrying amount at beginning	76,132	86,287
Additions	2,839	317
Disposals	-	(716)
Less: depreciation expense	(9,644)	(9,756)
<b>Carrying amount at end</b>	<b>69,327</b>	<b>76,132</b>
Motor vehicles		
Carrying amount at beginning	40,513	13,252
Additions	-	41,073
Disposals	-	(10,001)
Less: depreciation expense	(10,120)	(3,811)
<b>Carrying amount at end</b>	<b>30,393</b>	<b>40,513</b>
<b>Total written down amount</b>	<b>99,720</b>	<b>116,645</b>

## Note 10. Intangible assets

Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	-	-
Franchise fee		
At cost	32,555	21,537
Less: accumulated amortisation	(21,643)	(19,421)
	<b>10,912</b>	<b>2,116</b>
Renewal processing fee		
At cost	112,777	57,684
Less: accumulated amortisation	(58,197)	(47,109)
	<b>54,580</b>	<b>10,575</b>
<b>Total written down amount</b>	<b>65 492</b>	<b>12,691</b>

## Notes to the financial statements (continued)

	2018 \$	2017 \$
<b>Note 11. Tax</b>		
<b>Current:</b>		
<b>Income tax payable</b>	<b>33,592</b>	<b>24,746</b>
<b>Non-Current:</b>		
Deferred tax assets		
- accruals	1,558	826
- employee provisions	11,716	9,795
	<b>13,274</b>	<b>10,621</b>
Deferred tax liability		
- accruals	196	99
	<b>196</b>	<b>99</b>
<b>Net deferred tax asset</b>	<b>13,078</b>	<b>10,522</b>
<b>Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income</b>	<b>(2,556)</b>	<b>24,040</b>

## Note 12. Trade and other payables

<b>Current:</b>		
Trade creditors	4,779	2,689
Other creditors and accruals	37,007	18,293
	<b>41,786</b>	<b>20,982</b>
<b>Non-Current:</b>		
Other creditors and accruals	43 633	-

## Note 13. Borrowings

<b>Current:</b>		
<b>Chattel mortgage</b>	<b>5,494</b>	<b>3,564</b>
<b>Non-Current:</b>		
<b>Chattel mortgage</b>	<b>29,174</b>	<b>36,356</b>

Bank loan is repayable monthly with the final instalment due on 5 June 2021. Interest is

recognised at an average rate of 4.42% (2017: 9.33%). The loan is secured by a fixed and floating charge over the company's assets.

## Notes to the financial statements (continued)

	2018 \$	2017 \$
<b>Note 14. Provisions</b>		
<b>Current:</b>		
Provision for annual leave	22,324	19,356
Provision for long service leave	15,025	13,554
	<b>37,349</b>	<b>32,910</b>
<b>Non-Current:</b>		
Provision for long service leave	5,258	2,707

## Note 15. Issued capital

840,000 ordinary shares fully paid (2017: 840,000)	840,000	840,000
Less: equity raising expenses	(24,904)	(24,904)
	<b>815,096</b>	<b>815,096</b>

### 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**<sup>®</sup> 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.

# Notes to the financial statements (continued)

## Note 15. Issued capital (continued)

### 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 243. As at the date of this report, the company had 265 shareholders.

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

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

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.

	2018	2017
	\$	\$

## Note 16. Accumulated losses

Balance at the beginning of the financial year	(212,297)	(290,514)
Net profit from ordinary activities after income tax	117,583	128,617
Dividends paid or provided for	(58,800)	(50,400)
<b>Balance at the end of the financial year</b>	<b>(153,514)</b>	<b>(212,297)</b>

## Note 17. Statement of cash flows

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

Profit from ordinary activities after income tax	117,583	128,617
Non cash items:		
- depreciation	19,764	13,567
- amortisation	13,310	13,844

## Notes to the financial statements (continued)

	2018 \$	2017 \$
<b>Note 17. Statement of cash flows (continued)</b>		
- profit on disposal of asset	-	(6,363)
- loss on disposal of asset	-	716
Changes in assets and liabilities:		
- (increase)/decrease in receivables	14,163	(17,466)
- (increase)/decrease in other assets	(68,667)	24,040
- increase/(decrease) in payables	64,437	(27)
- increase/(decrease) in provisions	6,990	9,320
- increase/(decrease) in current tax liabilities	8,846	24,746
<b>Net cash flows provided by operating activities</b>	<b>176 426</b>	<b>190,994</b>

## Note 18. Leases

### Finance lease commitments

#### Payable - minimum lease payments:

- not later than 12 months	6,941	5,252
- between 12 months and 5 years	31,300	39,930
- greater than 5 years	-	-
<b>Minimum lease payments</b>	<b>38,241</b>	<b>45,182</b>
Less future finance charges	(3,573)	(5,262)
<b>Present value of minimum lease payments</b>	<b>34 668</b>	<b>39 920</b>

The finance lease of \$39,920, which commenced in 2017, is a four year lease. Interest is recognised at an average rate of 4.42%. Bendigo Bank maintain a security agreement over the motor vehicle for the period of lease.

### 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	52,962	38,092
- between 12 months and 5 years	189,782	-
- greater than 5 years	-	-
	<b>242,744</b>	<b>38,092</b>

The operating lease on the Balnarring branch premises is a non-cancellable lease expiring 1 February 2023 with a five-year term, with rent payable monthly in advance.



## Notes to the financial statements (continued)

	2018 \$	2017 \$
<b>Note 19. Auditor's remuneration</b>		
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,400	4,200
- share registry services	3,443	3,433
- other non audit services	2,310	1,755
	<b>10,153</b>	<b>9,388</b>

## Note 20. Director and related party disclosures

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

Heather Goddard

Chantelle Marie Waterson

Christopher John Gurney

Mark John Laughton

Andrew Scott Thomas

Ronald Graham Kempster

Stuart Whiteley

Pamela Elizabeth Ford

Kym Anthony Bridgford

Claire Louisa Thorn (Appointed 28 November 2017)

Natasha Sophia Albers (Appointed 27 February 2018, Resigned 6 June 2018)

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

	2018 \$	2017 \$
Transactions with related parties:		
Legal advice provided to the board	923	-
<b>Directors Shareholdings</b>	<b>2018</b>	<b>2017</b>
Heather Goddard	1,500	1,500
Chantelle Marie Waterson	500	500
Christopher John Gurney	18,400	17,400
Mark John Laughton	-	-
Andrew Scott Thomas	4,600	3,500
Ronald Graham Kempster	-	-
Stuart Whiteley	-	-

## Notes to the financial statements (continued)

### Note 20. Director and related party disclosures (continued)

<b>Directors Shareholdings</b>	<b>2018</b>	<b>2017</b>
Pamela Elizabeth Ford	-	-
Kym Anthony Bridgford	1,000	1,000
Claire Louisa Thorn (Appointed 28 November 2017)	-	-
Natasha Sophia Albers (Appointed 27 February 2018, Resigned 6 June 2018)	-	-

There was movement in directors shareholdings during the year.

### Note 21. Dividends provided for paid

#### a. Dividends paid during the year

Current year dividend		
<b>Unfranked dividend - 7 cents (2017: 6 cents) per share</b>	<b>58,800</b>	<b>50,400</b>

#### b. Franking account balance

Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	38,312	-
- franking credits that will arise from payment of income tax as at the end of the financial year	33,592	24,746
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
<b>Franking credits available for future financial reporting periods:</b>	<b>71,904</b>	<b>24,746</b>
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
<b>Net franking credits available</b>	<b>71,904</b>	<b>24,746</b>

### Note 22. Key management personnel disclosures

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 Balnarring, Victoria. 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 \$413.48 for the year ended 30 June 2018 (2017: \$150).

## Notes to the financial statements (continued)

	2018 \$	2017 \$
<b>Note 23. Earnings per share</b>		
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	117,583	128,617
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	840,000	840,000

### Note 24. Events occurring after the reporting date

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

### Note 25. Contingent liabilities and contingent assets

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

### Note 26. Segment reporting

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

### Note 27. Registered office/Principal place of business

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

**Registered Office**

Shop 28, Balnarring Village  
3050 Frankston Flinders Road  
Balnarring VIC 3926

**Principal Place of Business**

Shop 28, Balnarring Village  
3050 Frankston Flinders Road  
Balnarring VIC 3926

# Notes to the financial statements (continued)

## Note 28. Financial instruments

### Financial Instrument Composition and Maturity Analysis

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

Financial Instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		over 1 to 5 years		Over 5 years					
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 %	2017 %
<b>Financial assets</b>												
Cash and cash equivalents	64,383	138,479	537,125	353,494	-	-	-	-	-	-	1.05	1.46
Receivables	-	-	-	-	-	-	-	-	71,940	79,744	N/A	N/A
<b>Financial liabilities</b>												
Interest bearing liabilities	-	-	5,494	3,564	29,174	36,356	-	-	-	-	4.42	9.33
Payables	-	-	-	-	-	-	-	-	4,779	2,689	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 \$
<b>Change in profit/(loss)</b>		
Increase in interest rate by 1%	5,668	4,521
Decrease in interest rate by 1%	(5,668)	(4,521)
<b>Change in equity</b>		
Increase in interest rate by 1%	5,668	4,521
Decrease in interest rate by 1%	(5,668)	(4,521)

# Directors' declaration

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In accordance with a resolution of the directors of Balnarring & District Community 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 .



**Heather Goddard,**

**Chair**

Signed on the 28th of August 2018.

# Independent audit report

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Chartered Accountants

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

## Independent auditor's report to the members of Balnarring & District Community Services Limited

### Report on the audit of the financial statements

#### Our opinion

In our opinion, the financial report of Balnarring & District Community Services Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards.

#### What we have audited

Balnarring & District Community Services Limited's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Balance sheet
- ✓ Statement of changes in equity
- ✓ Statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the entity.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

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

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

#### Other information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

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# Independent audit report (continued)

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The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

## **Directors' responsibility for the financial report**

The directors of the company are responsible for the preparation of the financial report so that it gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibility for the audit of the financial report**

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, 3550  
Dated: 28 August 2018



**David Hutchings**  
Lead Auditor

Balnarring & District **Community Bank**<sup>®</sup> Branch  
Shop 28, Balnarring Shopping Village, 3050 Frankston Flinders Rd, Balnarring VIC 3926  
Phone: 5983 5543 Fax: 5983 2828

Franchisee: Balnarring & District Community Services Limited  
Shop 28, Balnarring Shopping Village, 3050 Frankston Flinders Rd, Balnarring VIC 3926  
Phone: 5983 5543 Fax: 5983 2828  
ABN: 84 127 842 059  
Email: [secretary@bdc.net.au](mailto:secretary@bdc.net.au)

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