

2018 Annual Report



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Chairman's report

For year ending 30 June 2018

It is with pleasure that I submit the Chairman's report for the financial year ending 30 June 2018.

After opening our doors six years ago the Barwon Heads **Community Bank**[®] Branch has now contributed more than \$250,000 to the local community. And 2017/18 marks our third successive year of profits with significant improvements each year.

Shareholders will again receive a dividend after another strong financial performance in 2017/18.

Revenue from operating activities improved by \$48,000 or 6%. Pleasingly operating expenses were 3.5% less than last year (excluding grants) and as a result we have been able to deliver a net profit before tax of \$188,328 – a \$22,000 (13%) improvement on the previous year.

The Board commenced a strategic review of the business and over the coming months these key strategies will be further developed.

Amongst the key initiatives identified:

- Provide a pathway for the community to identify a key legacy project or projects
- Raise awareness of what the Bank does for the community
- Grow the Bank's revenue base to support initiatives
- Deliver higher levels of grants
- Improve shareholder engagement
- And further leverage relationships with community groups.

This year (2017/18) sponsorship and community grants totalling \$46,560 (an increase of 23%) were provided to:

1. Barwon Heads Football Netball Club
2. Barwon Heads Festival of the Sea
3. Barwon Heads Primary School
4. Barwon Heads Fine Music Society
5. Barwon Heads Soccer Club
6. 13th Beach Board-riders Club
7. Barwon Heads Tennis Club
8. Barwon Heads Ocean Grove Little Athletics Club
9. Barwon Coast
10. Barwon Heads Bowls Club
11. Barwon Heads Cricket Club
12. Barwon Heads Friends of the Library
13. Barwon Heads CFA.

Chairman's report (continued)

In addition to these community grants Barwon Heads **Community Bank**[®] Branch contributed \$42,105 to the Bendigo Bank Community Enterprise Foundation™. These funds can be put towards future worthy community projects in a relatively tax effective manner.

I would like to take some time to acknowledge the work a couple of Directors who are retiring. We thank them for their considerable time and efforts:

- a) Marg Austin has been on the Board for five years and will be our longest serving Board member until retiring at the AGM. Marg has served on our Grants Committee and most recently as Chair of that committee. We will sadly miss Marg's steady hand and network of contacts throughout the Barwon Heads community.
- b) Graeme Hanel spent nearly five years on the Board and his last few years as Chair of the Grants Committee (prior to Marg). Graeme was the face of the Bank for many community organisations and we thank him for his outstanding contribution.

We have also seen the appointment of four new Directors with skills and expertise to assist with the ongoing development and growth of the Bank, namely:

- c) Damien Shaw
- d) Damien O'Malley
- e) Anita Phillips
- f) Jason Hutton.

Damien Shaw has a tourism background and currently holds a senior management position with Hertz Australia. Damien O'Malley has worked in human resources his whole career and currently runs his own consulting business. Anita Phillips is a medical practitioner combining private practice with education roles at Deakin University. Jason Hutton is an I.T. specialist with 20 years' experience and a strong interest in innovation. We welcome our four new Directors with their unique skills and passion for their roles on the Board.

Shelley Mclean joined as our Branch Manager in March this year. Shelley commenced with the Bendigo Bank as a Customer Service Officer only six years ago and rose quickly through the ranks to manage the Kilmore **Community Bank**[®] Branch for the past two years. Shelley is moulding our relatively new team into a cohesive, engaged unit and we look forward to continued strong results from the team. Our team continue to build on their excellent service and knowledge of products to suit customer's personal or business requirements.

In closing I would like to acknowledge and thank all our shareholders. Without your support we would not have a **Community Bank**[®] branch in Barwon Heads and we hope our improved financial performance and provision of a third straight dividend is some reward for your patience.

We have a vibrant team in place and we hope to continue to grow the bank to provide more funding to community groups and further reward shareholders.



Bruce Symons
Chairman

Manager's report

For year ending 30 June 2018

It is with pleasure that I submit my first annual report as Branch Manager of our local Barwon Heads **Community Bank**[®] Branch.

Having been here for only a short time of 2017/18 financial year it has been a wonderful opportunity to meet a very active community and work with a new and motivated team of staff and Directors.

Barwon Heads **Community Bank**[®] Branch grew overall business holdings to \$125 million up from \$118.7 million at the end of 2016/17, the majority of this was in our deposit funds seeing a 126% increase, while lending showed 71%. This has brought excellent net profits, driven by all areas of business.

2017/18 saw an increase in customer numbers of 7.9% with our total business size increasing 5.3% which shows a continued positive year on year trend since establishment in 2012.

As part of our **Community Bank**[®] model, our successful year has enabled the Barwon Heads Community Enterprise Limited to contribute \$46,560 to local community organisations in the form of grants and sponsorship with an additional \$42,105 allocated to our Community Enterprise Foundation™. Since conception, Barwon Heads Community Enterprise Limited has gifted over \$250,000 to the Barwon Heads community.

I would like to thank the Barwon Heads community groups for partnering with us. Being part of events and everyday activities in our community is what Bendigo Bank is all about and I know that all the team have enjoyed being involved and assisting over the year. We look forward to strengthening and creating new partnerships in the year ahead.

In conclusion, I would like to thank the Barwon Heads community, the volunteer Board of Directors, our Bendigo Bank regional team, led by Sue Tansey and Kevin Hannam for their warm welcome and support. To our motivated **Community Bank**[®] branch team your dedication, willingness to learn and the pride you have taken in your work is how we have created this success.

I look forward to us building on this and moving forward over 2018/19.



Shelley McLean
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2018

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

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

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

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

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

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

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

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

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

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

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



Robert Musgrove
Bendigo and Adelaide Bank

Directors' report

For the financial year ended 30 June 2018

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

Directors

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

Bruce Anthony Symons

Chairman

Occupation: Consultant

Qualifications, experience and expertise: B Agr.Sc (Melb) 2003, Masters (Swinburne) 2013, AICD 2013. Established his own Organic Dairy business in early 2017. Previously spent five years as a CEO and prior to that performed with distinction in senior marketing and sales roles in the food industry in Australia and Asia. Roles have varied from running a very successful Dairy Co-operative to launching a new retail product into the Japanese market to managing the turn-around of a Pacific Island subsidiary. Bruce joined the Board at the end of 2015.

Special responsibilities: Chairman and Member Executive Committee

Interest in shares: 10,000

David John Halliday

Treasurer

Occupation: Financial Services

Qualifications, experience and expertise: David was previously a Chartered Accountant and partner in a Melbourne firm before moving to Echuca in 1986 to work in his own business. He semi-retired and moved to Barwon Heads seven years ago. He now runs a number of small businesses from home focusing on the administration with operational managers based in Echuca. Until recently David was a Board Member of Echuca Community for the Aged. David has been a member of the Board since May 2016.

Special responsibilities: Treasurer and Member Executive Committee

Interest in shares: Nil

Peter Alexander MacMillan

Secretary

Occupation: Financial Planner and Tax / Accounting Consultant

Qualifications, experience and expertise: Fellow Chartered Accountants Australia & New Zealand. Post Grad Diploma- Financial Planning, Specialist Financial Planning. Established an Accounting Firm in Geelong 30 years ago and still consult to that firm as well as manages his own Financial Planning business. Previously worked for one of the now Big Four accounting practices for many years. Has resided in Barwon Heads for over 25 years. Peter's public roles include being on the board at Bethany and the former Brotherhood of St Laurence – Barwon Region as well as being Treasurer. Keen bike rider and part time golfer at BHGC. Peter joined the board in 2016.

Special responsibilities: Company Secretary and Executive Committee

Interest in shares: 5,000

Directors' report (continued)

Directors (continued)

Margaret Christina Austin

Director

Occupation: Retired Nat Bank Manager

Qualifications, experience and expertise: Apart from having extensive experience in the banking sector Marg is the past owner of Getaway Holiday Rentals Barwon Heads and a former office manager at Bellarine Sports and Recreational Centre. She is also a former owner and director of KFC in Geelong. Marg is also an active member of the community. She has been a committee member of the Barwon Heads Golf Club and past president of the Women's Committee. She has been an organiser of the Barwon Heads Easter Fair and an active member of the Barwon Heads Traders Association. Past member and player of the Barwon Heads Netball and Tennis Clubs.

Special responsibilities: Community Development and Grants Committee

Interest in shares: 1,000

Ross Kenneth Walter

Director

Occupation: Food/Operations - General Manager

Qualifications, experience and expertise: Holding a Bachelor of Business in Supply Chain Management, Ross has over 25 years' experience in operations, logistics, retailing, supply chain management, procurement and systems. He has held a number of General Management positions with logistics, liquor, healthcare, food wholesaling and FMCG companies with a key focus on business processes, business efficiency, integration of systems and holistic leadership. He has also held a range of positions in sporting and community groups including senior coaching roles, committee and chair. This included a position as a Board Director of Victorian Waterpolo Inc. Ross is involved in many local sporting clubs and groups including social AFL football, basketball, and supporting men's' health causes and charities. Ross has been a member of the Board since 2016.

Special responsibilities: Chair of Business Development Committee

Interest in shares: Nil

Harriet Isabel Burton

Director

Occupation: Lawyer

Qualifications, experience and expertise: Currently employed at Coulter Roache as a corporate and commercial lawyer. She previously worked as a lawyer for Holding Redlich as a personal injury lawyer. Harriet holds a Bachelor of Laws from Deakin University and a Bachelor of Arts (Global) from Monash university.

Special responsibilities: Community Development and Grants Committee

Interest in shares: Nil

Jason Anthony Hutton

Director (Appointed 24 July 2018)

Occupation: Consultant

Qualifications, experience and expertise: Jason is currently a consultant IT Technical Architect and has over 25 years in the IT industry from system support and design to management. He moved to Barwon Heads ten years ago and has since been involved with various local community groups and is currently on the Barwon Heads Tennis Club committee. Jason has been a member of the board since July 2018.

Special responsibilities: Business Development Committee

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Anita Joy Phillips

Director (Appointed 14 June 2018)

Occupation: Dr. Deputy Director of Clinical Studies

Qualifications, experience and expertise: General Practitioner in Drysdale, Deputy Director Clinical Studies in the School of Medicine, Deakin University, Senior lecturer and researcher in Clinical Communication. Anita brings to the board experience in leadership, in the health and tertiary education sector. Member Barwon Health End of Life Expert Advisory Committee, iValidate Research and Education Faculty. Past community projects have involved Healthy Eating Hub Days for Barwon Heads Soccer Club. Aiming to bring guidance to community grants to improve community health and wellbeing.

Special responsibilities: Business Development Committee

Interest in shares: Nil

Damien Patrick O'Malley

Director (Appointed 28 November 2017)

Occupation: Consultant

Qualifications, experience and expertise: Founder and Senior Consultant of strategic HR consulting business and co-founder of strategic off-sites consulting business. Clients include commercial/non-for-profit organisations in health, hospitality, infrastructure, financial services, legal services and retail. Previous experience as senior HR practitioner in leading national business in financial services, directories, gambling and entertainment, aviation and retail. Masters of Human Resources Development (UTS), Bachelor of Arts (Adelaide University), accredited as Executive Coach and number of leadership, team and cultural diagnostics.

Special responsibilities: Business Development Committee

Interest in shares: Nil

Damien Jon Shaw

Director (Appointed 26 September 2017)

Occupation: Transport / Rental – General Manager

Qualifications, experience and expertise: Holds a Bachelor of Economics (Banking and Finance) degree and an MBA from AGSM. Damien has held a variety of roles within the tourism and rental industries, from manufacturing, logistics, fleet, operations, franchise and general management roles over the past 20 years. Damien has a keen interest in sport especially now at local level with his children, AFL, Soccer, surfing and snow skiing to name a few. Damien joined the Barwon Heads Bendigo bank board in late 2017 and has lived in paradise (some people call it Barwon heads) for eight years.

Special responsibilities: Business Development Committee

Interest in shares: 3,000

Graeme Leslie Hanel

Director (Resigned 26 March 2018)

Occupation: Consultant

Qualifications, experience and expertise: Graeme is currently the Principal Regional Coordinator, Barwon South West, for the Department of Environment & Primary Industries. During his career he has worked with Natural Resource Management agencies in the Northern Territory, South Australia and Victoria, including senior management positions with the Victorian Government.

Special responsibilities: Chair of Community Development Committee

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Erena Claire Crowley

Director (Resigned 25 October 2017)

Occupation: Business Owner

Qualifications, experience and expertise: Co Owner Barwon Heads Windestore and freelance Project Producer. Erena has spend most of her career in the Not for Profit sector working on community engagement projects and currently works as a Project Producer managing events with a focus on local food production. Erena has been a member of the board since July 2015 and became Company Secretary in 2016.

Special responsibilities: Nil

Interest in shares: Nil

Janice Margaret Dart

Director (Resigned 24 October 2017)

Occupation: Retired

Qualifications, experience and expertise: Diploma of Education (Primary). Janice has enjoyed a varied career, first in education, followed by almost a decade in business in rural New South Wales, and 16 years in the water industry - including seven years in senior management with responsibilities including communication, media and brand management, and community engagement. Adjudicator for the Australasian Annual Report Awards from 2007 to 2011. Active member of the community.

Special responsibilities: Community Development and Grants Committee

Interest in shares: Nil

Andrew John Weinmann

Director (Resigned 25 July 2017)

Occupation: Lawyer

Qualifications, experience and expertise: LLB (Hons), BA (Flinders University). Andrew has practiced as a lawyer for 14 years. He heads the superannuation and insurance practice at Slater + Gordon Lawyers. He has a long record of service to community and public interest organisations, including the Wilderness Society and Job Watch Inc. He has volunteered at the Barwon Community Legal Service. Andrew became a member of the board in 2015 and was appointed the Public Officer in 2016.

Special responsibilities: Executive 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 Peter MacMillan. Peter was appointed to the position of secretary in July 2017. Peter is a fellow of the institute of Chartered Accountants and a specialist financial planner. He has previously held board positions with St. Lawrence- Barwon and Bethany.

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)

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 \$
136,538	115,716

Dividends

	Year ended 30 June 2018	
	Cents	\$
Fully franked dividend paid in the year	6	49,047

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' report (continued)

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended					
			Community Development		Business Development		Executive	
	A	B	A	B	A	B	A	B
Bruce Anthony Symons	12	10	-	-	-	-	6	6
David John Halliday	12	9	-	-	-	-	6	5
Peter Alexander MacMillan	12	10	-	-	-	-	6	4
Margaret Christina Austin	12	10	7	6	-	-	-	-
Ross Kenneth Walter	12	6	-	-	7	6	-	-
Harriet Isabel Burton	12	7	3	2	7	7	-	-
Jason Anthony Hutton (Appointed 24 July 2018)	-	-	-	-	-	-	-	-
Anita Joy Phillips (Appointed 14 June 2018)	2	2	-	-	-	-	-	-
Damien Patrick O'Malley (Appointed 28 November 2017)	9	3	-	-	7	7	-	-
Damien Jon Shaw (Appointed 26 September 2017)	10	9	-	-	7	7	-	-
Graeme Leslie Hanel (Resigned 26 March 2018)	9	7	4	4	-	-	-	-
Erena Claire Crowley (Resigned 25 October 2017)	4	3	3	2	-	-	2	2
Janice Margaret Dart (Resigned 24 October 2017)	4	3	3	2	-	-	2	2
Andrew John Weinmann (Resigned 25 July 2017)	-	-	-	-	-	-	-	-

A - eligible to attend

B - number attended

Proceedings on behalf of the company

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

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

Non audit services

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

The board of directors has considered the position 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*.

Directors' report (continued)

Non audit services (continued)

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 13.

Signed in accordance with a resolution of the board of directors at Barwon Heads, Victoria on 5 September 2018.



Bruce Anthony Symons,
Chairperson

Auditor's independence declaration



Partners in success

Chartered Accountants

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

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Barwon Heads Community Enterprise Limited

As lead auditor for the audit of Barwon Heads Community Enterprise 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.

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 5 September 2018

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

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	882,731	834,991
Employee benefits expense		(364,776)	(353,162)
Charitable donations, sponsorship, advertising and promotion		(93,602)	(45,440)
Occupancy and associated costs		(113,852)	(117,991)
Systems costs		(30,637)	(37,923)
Depreciation and amortisation expense	5	(25,593)	(34,247)
General administration expenses		(65,943)	(79,532)
Profit before income tax expense		188,328	166,696
Income tax expense	6	(51,790)	(50,980)
Profit after income tax expense		136,538	115,716
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		136,538	115,716
Earnings per share		¢	¢
Basic earnings per share	22	16.70	14.16

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2018

	Notes	2018 \$	2017 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	822,674	753,748
Trade and other receivables	8	66,474	42,047
Total current assets		889,148	795,795
Non-current assets			
Property, plant and equipment	9	104,090	116,255
Intangible assets	10	113,907	127,335
Total non-current assets		217,997	243,590
Total assets		1,107,145	1,039,385
LIABILITIES			
Current liabilities			
Trade and other payables	12	48,568	43,828
Current tax liabilities	11	12,759	23,900
Provisions	13	10,704	5,655
Total current liabilities		72,031	73,383
Non-current liabilities			
Trade and other payables	12	28,942	46,783
Provisions	13	830	541
Deferred tax liabilities	11	2,313	3,140
Total non-current liabilities		32,085	50,464
Total liabilities		104,116	123,847
Net assets		1,003,029	915,538
EQUITY			
Issued capital	14	789,491	789,491
Retained earnings	15	213,538	126,047
Total equity		1,003,029	915,538

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 \$	Retained earnings \$	Total equity \$
Balance at 1 July 2016		789,491	43,030	832,521
Total comprehensive income for the year		-	115,716	115,716
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	20	-	(32,699)	(32,699)
Balance at 30 June 2017		789,491	126,047	915,538
Balance at 1 July 2017		789,491	126,047	915,538
Total comprehensive income for the year		-	136,538	136,538
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	20	-	(49,047)	(49,047)
Balance at 30 June 2018		789,491	213,538	1,003,029

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 \$
Cash flows from operating activities			
Receipts from customers		931,873	900,877
Payments to suppliers and employees		(749,712)	(721,189)
Interest received		14,545	14,664
Income taxes paid		(63,758)	(66,808)
Net cash provided by operating activities	16	132,948	127,544
Cash flows from investing activities			
Payments for intangible assets		(14,975)	-
Net cash provided by/(used in) investing activities		(14,975)	-
Cash flows from financing activities			
Dividends paid	20	(49,047)	(32,699)
Net cash used in financing activities		(49,047)	(32,699)
Net increase in cash held		68,926	94,845
Cash and cash equivalents at the beginning of the financial year		753,748	658,903
Cash and cash equivalents at the end of the financial year	7(a)	822,674	753,748

The accompanying notes form part of these financial statements.

Notes to the financial statements

For 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 for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2017, and are therefore relevant for the current financial year.

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

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

There are also a number of accounting standards and interpretations issued by the AASB that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2017. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

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.

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 \$393,408, on an undiscounted basis (see Note 17).

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 Barwon Heads, 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

b) Revenue

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

Revenue calculation

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

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

Commission

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

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.

Monitoring and changing financial return

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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.

e) Cash and cash equivalents

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

- leasehold improvements 40 years
- plant and equipment 2.5 - 40 years

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Notes to the financial statements (continued)

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

(vi) Capital management (continued)

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.

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

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.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

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.

Impairment of assets

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 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- gross margin	639,254	528,286
- services commissions	130,224	194,626
- fee income	53,513	54,972
- market development fund	25,000	25,000
Total revenue from operating activities	847,991	802,884
Non-operating activities:		
- interest received	16,135	14,257
- rental revenue	18,605	17,850
Total revenue from non-operating activities	34,740	32,107
Total revenues from ordinary activities	882,731	834,991

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	3,208	3,677
- leasehold improvements	8,957	8,992
Amortisation of non-current assets:		
- franchise agreement	2,232	3,040
- franchise renewal fee	11,196	16,672
- establishment fee	-	1,866
	25,593	34,247
Bad debts	324	37
Procedural errors	797	152

Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	52,617	51,101
- Movement in deferred tax	(827)	(121)
	51,790	50,980

Notes to the financial statements (continued)

	Note	2018 \$	2017 \$
Note 6. Income tax expense (continued)			
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows			
Operating profit		188,328	166,696
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)		51,790	45,842
Add tax effect of:			
- non-deductible expenses		-	5,138
- timing difference expenses		827	121
		52,617	51,101
Movement in deferred tax	11	(827)	(121)
		51,790	50,980

Note 7. Cash and cash equivalents

Cash at bank and on hand	297,199	240,027
Term deposits	525,475	513,721
	822,674	753,748

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	297,199	240,027
Term deposits	525,475	513,721
	822,674	753,748

Note 8. Trade and other receivables

Trade receivables	53,729	32,536
Prepayments	3,475	3,735
Other receivables and accruals	9,270	5,776
	66,474	42,047

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 9. Property, plant and equipment		
Leasehold improvements		
At cost	144,378	144,378
Less accumulated depreciation	(52,857)	(43,900)
	91,521	100,478
Plant and equipment		
At cost	39,625	39,625
Less accumulated depreciation	(27,056)	(23,848)
	12,569	15,777
Total written down amount	104,090	116,255
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	100,478	109,470
Less: depreciation expense	(8,957)	(8,992)
Carrying amount at end	91,521	100,478
Plant and equipment		
Carrying amount at beginning	15,777	19,454
Less: depreciation expense	(3,208)	(3,677)
Carrying amount at end	12,569	15,777
Total written down amount	104,090	116,255

Note 10. Intangible assets

Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	-	-
Franchise fee		
At cost	21,192	21,192
Less: accumulated amortisation	(13,600)	(11,368)
	7,592	9,824
Renewal processing fee		
At cost	55,961	55,962
Less: accumulated amortisation	(13,061)	(1,866)
	42,900	54,096

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 10. Intangible assets (continued)		
Redomicile fee		
At cost	63,415	63,415
	63,415	63,415
Total written down amount	113,907	127,335

Note 11. Tax

Current:

Income tax payable	12,759	23,900
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Non-Current:

Deferred tax assets		
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- accruals	770	2,019
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- employee provisions	3,172	1,704
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	3,942	3,723
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Deferred tax liability		
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- accruals	1,614	1,176
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- property, plant and equipment	4,641	5,687
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	6,255	6,863
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Net deferred tax liability	(2,313)	(3,140)
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Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income

	(827)	(121)
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Note 12. Trade and other payables

Current:

Other creditors and accruals	48,568	43,828
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Non-Current:

Other creditors and accruals	28,942	46,783
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Note 13. Provisions

Current:

Provision for annual leave	10,704	5,655
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Non-Current:

Provision for long service leave	830	541
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Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 14. Issued capital		
817,464 ordinary shares fully paid (2017: 817,464)	817,464	817,464
Less: equity raising expenses	(27,973)	(27,973)
	789,491	789,491

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 241. As at the date of this report, the company had 270 shareholders.

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

Notes to the financial statements (continued)

Note 14. Issued capital (continued)

Prohibited shareholding interest (continued)

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 15. Retained earnings		
Balance at the beginning of the financial year	126,047	43,030
Net profit from ordinary activities after income tax	136,538	115,716
Dividends provided for or paid	(49,047)	(32,699)
Balance at the end of the financial year	213,538	126,047

Note 16. Statement of cash flows

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

Profit from ordinary activities after income tax	136,538	115,716
Non cash items:		
- depreciation	12,165	12,669
- amortisation	13,428	21,578
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(24,427)	28,710
- increase/(decrease) in payables	1,874	(34,459)
- increase/(decrease) in provisions	5,338	(842)
- increase/(decrease) in current tax liabilities	(11,968)	(15,828)
Net cash flows provided by operating activities	132,948	127,544

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 17. Leases		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	92,566	24,353
- between 12 months and 5 years	300,842	-
	393,408	24,353

The property lease on the branch premises is a non-cancellable lease with a five-year term, with rent payable monthly in advance. Term of the lease was extended by exercising the option of second five year term on 5 September 2017. A further five year term option is available.

Note 18. Auditor's remuneration

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

- audit and review services	4,400	4,200
- share registry services	6,459	7,055
- non audit services	2,430	2,881
	13,289	14,136

Note 19. Director and related party disclosures

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

Bruce Anthony Symons
David John Halliday
Peter MacMillan
Margaret Christina Austin
Ross Walter
Harriet Isabel Burton
Jason Anthony Hutton (Appointed 24 July 2018)
Anita Joy Phillips (Appointed 14 June 2018)
Damien Patrick O'Malley (Appointed 28 November 2017)
Damien Jon Shaw (Appointed 26 September 2017)
Graeme Leslie Hanel (Resigned 26 March 2018)
Erena Claire Crowley (Resigned 25 October 2017)
Janice Margaret Dart (Resigned 24 October 2017)
Andrew John Weinmann (Resigned 25 July 2017)

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

Notes to the financial statements (continued)

Note 19. Director and related party disclosures (continued)

Directors' Shareholdings

	2018	2017
Bruce Anthony Symons	10,000	10,000
David John Halliday	-	-
Peter MacMillan	5,000	5,000
Margaret Christina Austin	1,000	1,000
Ross Walter	-	-
Harriet Isabel Burton	-	-
Jason Anthony Hutton (Appointed 24 July 2018)	-	-
Anita Joy Phillips (Appointed 14 June 2018)	-	-
Damien Patrick O'Malley (Appointed 28 November 2017)	-	-
Damien Jon Shaw (Appointed 26 September 2017)	3,000	-
Graeme Leslie Hanel (Resigned 26 March 2018)	-	-
Erena Claire Crowley (Resigned 25 October 2017)	-	-
Janice Margaret Dart (Resigned 24 October 2017)	-	-
Andrew John Weinmann (Resigned 25 July 2017)	-	-

There was movement in directors' shareholdings during the year.

	2018 \$	2017 \$
--	------------	------------

Note 20. Dividends provided for or paid

a. Dividends paid during the year

Current year dividend		
100% (2017: Nil) franked dividend - 6 cents (2017: 4 cents) per share	49,047	32,699

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

b. Franking account balance

Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	107,963	62,809
- franking credits that will arise from payment of income tax as at the end of the financial year	12,759	23,900
Franking credits available for future financial reporting periods:	120,722	86,709
Net franking credits available	120,722	86,709

Notes to the financial statements (continued)

Note 21. 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.

	2018 \$	2017 \$
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Note 22. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	136,538	115,716
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	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	817,464	817,464

Note 23. 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 24. 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 25. Segment reporting

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

Note 26. Registered office/Principal place of business

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

Registered Office
70 Hitchcock Avenue
Barwon Heads VIC 3227

Principal Place of Business
70 Hitchcock Avenue
Barwon Heads VIC 3227

Notes to the financial statements (continued)

Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 %	2017 %
Financial assets												
Cash and cash equivalents	297,199	240,027	525,475	513,721	-	-	-	-	-	-	1.99	1.97
Receivables	-	-	-	-	-	-	-	-	53,729	32,536	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	-	-	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

Notes to the financial statements (continued)

Note 27. Financial instruments (continued)

Sensitivity Analysis (continued)

As at 30 June 2018, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2018 \$	2017 \$
Change in profit/(loss)		
Increase in interest rate by 1%	8,227	7,537
Decrease in interest rate by 1%	(8,227)	(7,537)
Change in equity		
Increase in interest rate by 1%	8,227	7,537
Decrease in interest rate by 1%	(8,227)	(7,537)

Directors' declaration

In accordance with a resolution of the directors of Barwon Heads Community Enterprise 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.



Bruce Anthony Symons,
Chairperson

Signed on the 5th of September 2018.

Independent audit report



Partners in success

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 Barwon Heads Community Enterprise Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Barwon Heads Community Enterprise 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

Barwon Heads Community Enterprise 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)

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: 5 September 2018



David Hutchings
Lead Auditor

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