

Port Fairy & District **Community Bank®** Branch

Belfast Community  
Enterprises Limited

ABN 65 161 382 832

# 2018 Annual Report



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# Chairman's report

For year ending 30 June 2018

Shareholders and stakeholders will have received a recent Newsletter from the Port Fairy & District **Community Bank**<sup>®</sup> Branch in which the attaining of \$250,000 level in our Community Balance Sheet was celebrated. As has been the mantra from the very early days of the Steering Committee activities, the main purpose in establishing a **Community Bank**<sup>®</sup> branch was to see funds invested back into our own community.

This is already happening and your Board is excited in the anticipation that this will continue and increase in quantum in the years to come.

Shareholders will be aware of the announcement of the issuing of a \$0.10 per share fully franked dividend, in the fourth year of operation for our Bank. Many communities have waited much longer periods for such an outcome from their **Community Bank**<sup>®</sup> branch. While we have cause to celebrate this step we must not overlook the importance of our shareholders as well as our customers. Without these two groups we would not have the **Community Bank**<sup>®</sup> branch in the first place and would not be investing in our community in the second.

Many will know that as you enter the **Community Bank**<sup>®</sup> branch our motto is carved in stone at the front door – “We serve and support our community” – the outworking of the call from the very first day of activity.

While we have invested heavily in the community in the last year, we have also managed significant changes within the branch itself. Firstly, the retirement of our inaugural Branch Manager – Ashley King – and the appointment of Julia O'Neill as our new Manager. I would acknowledge the outstanding job done by Ashley in these early days before we opened and the time and energy he invested for us in the first three years of operation.

Ashley, the Board and the shareholders are indebted to you for this effort.

Stepping into Ashley's shoes, Julia has hit the ground running and with almost a new team she has lead the journey through the smoke of the Royal Commission in Banking, and other banks closing local branches. While the Bendigo Bank has not featured in the investigations, the fallout from the inquiry has meant increased levels of scrutiny and red-tape that our staff have had to manage and help our customers negotiate. For this I would acknowledge the dedication of our branch staff and thank them all on your behalf. To cap off this achievement, the team has delivered a positive outcome for the year as you will note from the Financial Statements within this Annual Report.

I would also acknowledge the on-going work and involvement of the members of the Board. During the year Tess Abbott stood down after nearly eight years of involvement from Steering Committee to Board Member. Also, Gaye Batt, the Company Secretary and a Director of the Company stood down at the last AGM. I personally would thank Gaye for the work and energy she put into her role. In the early learning years her knowledge and experience were invaluable to the Board. Thank you Tess and Gaye for your involvement and on-going support.

Those continuing Board Members, I would personally thank for their support and commitment to the **Community Bank**<sup>®</sup> model and the principals it espouses. Then lastly and not at all least, I would thank the shareholders and customers of the Port Fairy & District **Community Bank**<sup>®</sup> Branch for your on-going support and belief in the establishment of our branch.



**Ralph Leutton**  
Chairman

# Manager's report

For year ending 30 June 2018

Dear Shareholders,

I would like to take this opportunity to officially introduce myself as the new Branch Manager of the Port Fairy & District **Community Bank**<sup>®</sup> Branch. This is an exciting occasion to build on the foundations that have established such an important business in the local community. I would like to thank the previous Manager and staff, Ashley King, Rachel Root, Jacinta Bermingham, Cameron Pike and Deb Harris for their outstanding contribution and wish them all the best for the future.

At the same time, we have welcomed Amie Timewell, Fiona Towler and Amy Harman into our team and they bring a wealth of experience in finance, sales and customer service. I know they will ensure the best possible outcomes for our customers.

I would also like to thank our Chairman, Ralph Leutton, Directors and members of committees for all their support and being so welcoming to the new team. The Board has continued to show leadership, enthusiasm and initiative, constantly striving to improve, grow and form strategic partnerships to improve the outcome to shareholders, not-for-profits and community groups in our district. This can be reflected in the \$260,000 in contributions over the past four years.

So, amongst the changes to staffing and the current climate in banking the past year a fantastic result was achieved, the Port Fairy & District **Community Bank**<sup>®</sup> Branch has continued to grow in overall banking volumes. Whilst our deposit volumes did not grow, lending, wealth products and other business all experienced a growth. Worth mentioning is the overall customer base increase of 18.7%

	30 June 2017	30 June 2018
Deposits	\$34.7 million	\$32.2 million
Loans	\$56.8 million	\$59.4 million
Other	\$7.4 million	\$9.8 million
Customer numbers	1,024 customers	1,215 customers

In this current climate it is hoped that our shareholders and customers continue their support to enable us to meet our objectives of delivering profits so that we can assist our communities and deliver returns.

If you have family members or friends who deserve the levels of service and the excellent products that we can provide, please let me know or ask them to contact our branch.

I hope that as shareholders that you are as proud of your company and its achievements as I am. We are a truly unique bank and one that I am privileged to help oversee.

Many thanks to all those in the community that have made this team feel so welcomed.

Your sincerely,



**Julia O'Neill**  
**Branch Manager**



# Community contributions

For year ending 30 June 2018 we proudly contributed \$72,235 in sponsorships and grants to our community which increased our total community contributions in four years of operation to \$259,628.

In the 2017/18 financial year we were focused on building our community balance sheet and was pleased to present our largest grant to date, of \$50,000 to Moyne Health Services, in support of the completion of its Urgent Care Centre which will provide a much-needed service to our community. All made possible by our customers.

Since opening for business four years ago the customers of the Port Fairy & District **Community Bank®** Branch have supported the following clubs, organisations, and community groups.

**\$72,235**

2017/18  
sponsorships  
and grants.

**\$259,628**

Total contributions  
since opening.

All Abilities Equestrian  
Biggest Morning Tea  
Brophy Family & Youth Services  
Club Child Care Action Group  
Commonwealth Championship Sheep Dog Trials  
Community Garden Group  
Dachshund Dash Winter Weekends  
ExLibris - Stories on Sackville St  
ExLibris Writing Competition  
Friends of Griffiths Island  
Friends of Moyneyana House  
Fun4Kids Festival  
Gourmet Port Fairy  
Kirkstall Recreation Reserve  
Koroit Business & Tourism Association

Koroit Football Netball Club Tower Hill Challenge

Koroit Primary School

Koroit Race Day

Macarthur Men's Shed

Macarthur Music in the Vines

Macarthur Pony Club

Moyne Health Services

Moyneyana Festival Inc.

Port Fairy Angling Club

Port Fairy Belfast Lions Art Show

Port Fairy Belfast Loins

Port Fairy Bowls Club

Port Fairy Business Assoc.

Port Fairy Citizens Band

Port Fairy Community House

Port Fairy Community Race Day



Port Fairy Consolidated Parents & Friends

Port Fairy Consolidated School

Port Fairy Consolidated School Awards

Port Fairy Consolidated School Bazaar

Port Fairy Cricket Club

Port Fairy Film Society

Port Fairy Football Netball Club

Port Fairy Golf Club

Port Fairy Hospital Auxiliary

Port Fairy Jazz Festival

Port Fairy Marine Rescue Service

Port Fairy Petanque

Port Fairy Playgroup

Port Fairy Probus

Port Fairy Sea Scouts

Port Fairy SES Unit

Port Fairy Show Society

Port Fairy Surf Life Saving Club

Port Fairy Tennis Club Inc.

Port Fairy Winter Weekends

Rotary Club of Port Fairy

Sackville Street Streetscape

South West Working Equitation Club

St Brigid's Hall Crossley

St John's Anglican Church

St John's Strawberry Fete

St Patricks Primary School Port Fairy

St Pats Primary School Graduation Awards

Sungold Field Days

Yambuk Hall Committee

Yambuk Progress Group

# 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:

### **Ralph David Leutton**

Chairman

Occupation: Contract Facilitator / Lobbyist

Qualifications, experience and expertise: Ralph Leutton works in his own right as an independent advocate and facilitator in natural resource management, industry strategic direction and the areas of vocational training and education. Mr. Leutton has held a number of contracts with peak industry and producer groups, working with government to develop or resolve policy areas in natural resource management, industry strategy and human resource availability. During his career, Mr. Leutton has had opportunity to serve on a number of corporate and government oversight boards. These have ranged from large events (Expo 88 and Beef 88); national training (NQC, TVET Aust., Rural Skills Aust., Rural Training Council of Aust., and Agrifood Industry Skills Council); community based boards and committees; as well as in the health services industry.

Special responsibilities: Board Chair, Member of the Finance & Risk Committee.

Interest in shares: 5,001

### **Nicole Louise Dwyer**

Deputy Chair

Occupation: Licensed Estate Agent

Qualifications, experience and expertise: Nicole is a licensed real estate agent and local business manager in Port Fairy. She has TAFE qualifications in Marketing and has experience in Event Management. She is a member of Port Fairy Football Netball Club, past HFNL committee member. She was a Melbourne 2006 Commonwealth Games Volunteer, and has volunteered in many groups locally.

Special responsibilities: Member of the Marketing Committee and Deputy Chair.

Interest in shares: 2,501

### **Peter John Langley**

Director

Occupation: Motelier

Qualifications, experience and expertise: Peter is self employed and owns a motel and holiday rental business. He has had 35 years in the public service in Victoria, and has been past Treasurer of Port Fairy Golf Club for two years and is a founding member of Warrnambool Seahawks/Mermaids Basketball Inc. He has a private pilots license and has coached representative basketball at both junior and senior levels.

Special responsibilities: Chair of the Community and Marketing Committee.

Interest in shares: 20,001

# Directors' report (continued)

## Directors (continued)

### **Richard Nicholas Abbott**

Director

Occupation: Retired

Qualifications, experience and expertise: Nicholas is a retired General Physician, with Bachelor of Medicine, Bachelor of Surgery (MBBS), Diploma Of Child Health (DCH), Member Royal College Physicians (MRCP) and a Fellow of the Royal Australasian College of Physicians (FRACP). He is a member of Port Fairy Streetscape Committee, Port Fairy Men's Shed and Chairman of the Port Fairy Coastal Community Group.

Special responsibilities: Member of the Human Resources Committee.

Interest in shares: 20,002 (jointly held)

### **John Julian Rahilly**

Director

Occupation: Accommodation Supplier

Qualifications, experience and expertise: John is a retired pharmacist of 40 years, and former board member of Amcal Pharmaceutical Group. He is also past president, vice-president and captain of Port Fairy Golf Club.

Special responsibilities: Member of the Human Resources Committee

Interest in shares: 5,000

### **Margaret Donne Leutton**

Director

Occupation: Project Manager

Qualifications, experience and expertise: Maggie has extensive experience in many roles undertaken under the auspices of her business, Direction Projects since 1989 include coordination Woody's Murray to Moyne annual Cycle Relay for five years, Administrator for Port Fairy Tourism Inc. and Port Fairy Business Association. Having an Advanced Diploma in Business Management, contracting in rural, regional and urban areas around the Eastern Seaboard for Corporate and government clients as well as many of the rural industry bodies in dairy, horticulture, farm chemicals, fisheries and cattle. Currently involved in the health industry in the areas of aged care, planned activities and further education. Volunteering for several music festivals, Red Cross fundraising and Red Cross Emergency Services.

Special responsibilities: Member of the Community and Marketing Committee.

Interest in shares: 5,001

### **Diana Jane Officer**

Director

Occupation: Retired

Qualifications, experience and expertise: During the 70's and 80's Diana was employed in a Finance Company, Insurance Company and Stockbrokers, McCaughan Dyson & Son in Melbourne. Has worked with Coffey Hunt Accountants in Warrnambool for 17 years in their Financial Planning area in an Administration role. Currently Chair of the Badge and Endowment Committee of Warrnambool Legacy Club, Life member of the Warrnambool Lawn Tennis Club and Member of the Port Fairy Golf Club.

Special responsibilities: Minute Secretary.

Interest in shares: 2,000



# Directors' report (continued)

## Directors (continued)

### Anne Theresa Abbott

Director (Resigned 4 December 2017)

Occupation: Retired G.P

Qualifications, experience and expertise: Anne is a retired General Practitioner and has been a Member of the board for Hamilton & Alexandra College for past 6 years. Current Member of Men's Shed Port Fairy and the Craft Group Port Fairy.

Special responsibilities: Member of the Finance and Audit Committee

Interest in shares: 20,002 (jointly held)

### Gabrielle Mary Batt

Director (Resigned 31 October 2017)

Occupation: Accountant

Qualifications, experience and expertise: Gabrielle is an associate accountant with Michael Beks & Associates. She is a director of Private Company Koolay Enterprises Pty Ltd which trades as Port Fairy Day Spa. She has coached netball in Hampden Football Netball League over 20 years and also Western Region Representative Netball.

Special responsibilities: Member of the Finance and Audit Committee.

Interest in shares: 6,000

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 Ashley King. Ashley was appointed to the position of secretary on 1 June 2018 replacing Gabrielle Batt.

Qualifications, experience and expertise: Ashley has been involved in the finance industry for 40 years. He established and was General Manager of the Southern Financial Group from 1990 to 2013 which provided a range of financial services to customers predominantly from South Western and Western Victoria. In 2013 he assisted the Steering Committee of the Port Fairy & District **Community Bank**<sup>®</sup> Branch to commence operating and was the Branch Manager from opening in June 2014 until his retirement in March 2018. He also assisted the Board with its business operations during this period.

## Principal Activities

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

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

## Operating results

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was:

Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
25,624	61,450

# Directors' report (continued)

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## **Dividends**

No dividends were declared or paid for the previous year and the directors recommend that a dividend be paid for the current year, the dividend amount will be announced subsequent to the approval of these financial statements.

## **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					
			Finance and Audit		Community and Marketing		Human Resources	
	A	B	A	B	A	B	A	B
Ralph David Leutton	7	6	5	5	3	1	-	-
Nicole Louise Dwyer	7	6	-	-	10	9	-	-
Peter John Langley	7	5	-	-	10	10	-	-
Richard Nicholas Abbott	7	5	3	2	-	-	3	2
John Julian Rahilly	7	4	-	-	-	-	3	3
Margaret Donne Leutton	7	6	-	-	10	9	-	-
Diana Jane Officer	7	6	2	2	-	-	-	-
Anne Theresa Abbott*	2	1	2	2	-	-	-	-
Gabrielle Mary Batt **	5	3	-	-	-	-		

A - eligible to attend

\* - (Resigned 4 December 2017)

B - number attended

\*\* - (Resigned 31 October 2017)

## Proceedings on behalf of the company

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

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

## Non audit services

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

The board of directors has considered the position, in accordance with the advice received from the finance and audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

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

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

# Directors' report (continued)

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## **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 12.

Signed in accordance with a resolution of the board of directors at Port Fairy, Victoria on 26 September 2018.



**Ralph David Leutton,  
Chairman**

# 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 Belfast Community Enterprises Limited**

As lead auditor for the audit of Belfast Community Enterprises 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: 21 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	717,968	680,932
Employee benefits expense		(410,002)	(308,940)
Charitable donations, sponsorship, advertising and promotion		(97,068)	(87,149)
Occupancy and associated costs		(49,342)	(48,261)
Systems costs		(33,265)	(38,243)
Depreciation and amortisation expense	5	(33,137)	(34,329)
General administration expenses		(54,434)	(73,600)
<b>Profit before income tax expense</b>		<b>40,720</b>	<b>90,410</b>
Income tax expense	6	(15,096)	(28,960)
<b>Profit after income tax expense</b>		<b>25,624</b>	<b>61,450</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>25,624</b>	<b>61,450</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
Basic earnings per share	22	2.73	6.55

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	730,999	701,599
Trade and other receivables	8	61,014	52,620
<b>Total current assets</b>		<b>792,013</b>	<b>754,219</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	187,137	198,274
Intangible assets	10	77,706	99,706
Deferred tax asset	11	12,071	348
<b>Total non-current assets</b>		<b>276,914</b>	<b>298,328</b>
<b>Total assets</b>		<b>1,068,927</b>	<b>1,052,547</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	47,151	39,623
Current tax liabilities	11	-	19,923
Provisions	13	6,969	2,044
<b>Total current liabilities</b>		<b>54,120</b>	<b>61,590</b>
<b>Non-current liabilities</b>			
Provisions	13	535	2,309
<b>Total non-current liabilities</b>		<b>535</b>	<b>2,309</b>
<b>Total liabilities</b>		<b>54,655</b>	<b>63,899</b>
<b>Net assets</b>		<b>1,014,272</b>	<b>988,648</b>
<b>EQUITY</b>			
Issued capital	14	898,316	898,316
Retained earnings	15	115,956	90,332
<b>Total equity</b>		<b>1,014,272</b>	<b>988,648</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

	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2016	898,316	28,882	927,198
Total comprehensive income for the year	-	61,450	61,450
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
<b>Balance at 30 June 2017</b>	<b>898,316</b>	<b>90,332</b>	<b>988,648</b>
Balance at 1 July 2017	898,316	90,332	988,648
Total comprehensive income for the year	-	25,624	25,624
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
<b>Balance at 30 June 2018</b>	<b>898,316</b>	<b>115,956</b>	<b>1,014,272</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		738,824	720,491
Payments to suppliers and employees		(681,312)	(593,323)
Interest received		18,630	15,807
Income taxes paid		(46,742)	(30,386)
<b>Net cash provided by operating activities</b>	<b>16</b>	<b>29,400</b>	<b>112,589</b>
<b>Cash flows from investing activities</b>			
Payments for intangible assets		-	(28,769)
<b>Net cash used in investing activities</b>		<b>-</b>	<b>(28,769)</b>
<b>Net increase in cash held</b>		<b>29,400</b>	<b>83,820</b>
Cash and cash equivalents at the beginning of the financial year		701,599	617,779
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<b>730,999</b>	<b>701,599</b>

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 lease amount to \$38,245, 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**<sup>®</sup> branch at Port Fairy, 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**<sup>®</sup> branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**<sup>®</sup> 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**<sup>®</sup> branch franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice and assistance in relation to:

- design, layout and fit out of the **Community Bank**<sup>®</sup> 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.

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

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

#### Commission

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

#### Fee income

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

# Notes to the financial statements (continued)

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

### b) Revenue (continued)

#### Discretionary financial contributions

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

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

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

#### Ability to change financial return

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

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

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

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

#### Monitoring and changing financial return

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

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

### 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 unrefundable).

# Notes to the financial statements (continued)

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

### c) Income tax (continued)

#### 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.

### 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.

# Notes to the financial statements (continued)

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

### g) Property, plant and equipment

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

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

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

- leasehold improvements 5 - 15 years
- plant and equipment 2.5 - 40 years

### 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.

#### 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.



# Notes to the financial statements (continued)

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

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

#### Classification and subsequent measurement (continued)

##### (ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

##### (iii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

#### Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

### **l) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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

### (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 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.

# 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.

### 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.

	2018 \$	2017 \$
<b>Note 4. Revenue from ordinary activities</b>		
Operating activities:		
- gross margin	541,643	483,970
- services commissions	89,496	107,091
- fee income	41,340	39,476
- market development fund	26,667	35,833
<b>Total revenue from operating activities</b>	<b>699,146</b>	<b>666,370</b>
Non-operating activities:		
- interest received	18,630	14,562
- other revenue	192	-
<b>Total revenue from non-operating activities</b>	<b>18,822</b>	<b>14,562</b>
<b>Total revenues from ordinary activities</b>	<b>717,968</b>	<b>680,932</b>

# Notes to the financial statements (continued)

	2018 \$	2017 \$
<b>Note 5. Expenses</b>		
Depreciation of non-current assets:		
- plant and equipment	1,871	2,213
- leasehold improvements	9,266	10,116
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
- franchise renewal fee	20,000	20,000
	<b>33,137</b>	<b>34,329</b>
<b>Bad debts</b>	<b>-</b>	<b>99</b>

## Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	15,312	29,488
- Movement in deferred tax	(216)	(528)
	<b>15,096</b>	<b>28,960</b>

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

Operating profit	40,720	90,410
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	11,198	24,863
Add tax effect of:		
- non-deductible expenses	6,071	6,270
- timing difference expenses	216	(929)
- other deductible expenses	(2,173)	(2,173)
	<b>15,312</b>	<b>28,031</b>
Movement in deferred tax	(216)	929
	<b>15,096</b>	<b>28,960</b>

## Note 7. Cash and cash equivalents

Cash at bank and on hand	15,999	11,599
Term deposits	715,000	690,000
	<b>730,999</b>	<b>701,599</b>



## Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 7. Cash and cash equivalents (continued)		
<b>Note 7.(a) Reconciliation to cash flow statement</b>		
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	15,999	11,599
Term deposits	715,000	690,000
	<b>730,999</b>	<b>701,599</b>

### Note 8. Trade and other receivables

Trade receivables	52,761	41,932
Prepayments	5,616	8,051
Other receivables and accruals	2,637	2,637
	<b>61,014</b>	<b>52,620</b>

### Note 9. Property, plant and equipment

Leasehold improvements		
At cost	213,795	213,795
Less accumulated depreciation	(42,605)	(33,339)
	<b>171,190</b>	<b>180,456</b>
Plant and equipment		
At cost	29,266	29,266
Less accumulated depreciation	(13,319)	(11,448)
	<b>15,947</b>	<b>17,818</b>
<b>Total written down amount</b>	<b>187,137</b>	<b>198,274</b>
<b>Movements in carrying amounts:</b>		
Leasehold improvements		
Carrying amount at beginning	180,457	190,573
Less: depreciation expense	(9,266)	(10,116)
<b>Carrying amount at end</b>	<b>171,191</b>	<b>180,457</b>
Plant and equipment		
Carrying amount at beginning	17,817	20,030
Less: depreciation expense	(1,871)	(2,213)
<b>Carrying amount at end</b>	<b>15,946</b>	<b>17,817</b>
<b>Total written down amount</b>	<b>187,137</b>	<b>198,274</b>

## Notes to the financial statements (continued)

	2018 \$	2017 \$
<b>Note 10. Intangible assets</b>		
Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(8,167)	(6,167)
	<b>1,833</b>	<b>3,833</b>
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(81,667)	(61,667)
	<b>18,333</b>	<b>38,333</b>
Redomicile fee		
At cost	57,540	57,540
	<b>57,540</b>	<b>57,540</b>
<b>Total written down amount</b>	<b>77,706</b>	<b>99,706</b>

## Note 11. Tax

### Current:

<b>Income tax payable/(refundable)</b>	<b>(11,507)</b>	<b>19,923</b>
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### Non-Current:

Deferred tax assets		
- accruals	770	2,090
- employee provisions	2,064	1,197
	<b>2,834</b>	<b>3,287</b>
Deferred tax liability		
- accruals	726	725
- deductible prepayments	1,544	2,214
	<b>2,270</b>	<b>2,939</b>
<b>Net deferred tax asset</b>	<b>564</b>	<b>348</b>
<b>Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income</b>	<b>(216)</b>	<b>(528)</b>

## Notes to the financial statements (continued)

	2018 \$	2017 \$
<b>Note 12. Trade and other payables</b>		
Current:		
Trade creditors	-	8,046
Other creditors and accruals	47,151	31,577
	<b>47,151</b>	<b>39,623</b>

## Note 13. Provisions

### Current:

<b>Provision for annual leave</b>	<b>6,969</b>	<b>2,044</b>
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### Non-Current:

<b>Provision for long service leave</b>	<b>535</b>	<b>2,309</b>
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## Note 14. Issued capital

937,667 ordinary shares fully paid (2017: 937,667)	937,667	937,667
Less: equity raising expenses	(39,351)	(39,351)
	<b>898,316</b>	<b>898,316</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®** 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).

# Notes to the financial statements (continued)

## Note 14. Issued capital (continued)

### Rights attached to shares (continued)

#### (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 equal to 90% of the number of shareholders in the company immediately following the closure of the prospectus.

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 \$
<b>Note 15. Retained earnings</b>		
Balance at the beginning of the financial year	90,332	28,882
Net profit from ordinary activities after income tax	25,624	61,450
<b>Balance at the end of the financial year</b>	<b>115,956</b>	<b>90,332</b>

## Notes to the financial statements (continued)

	2018 \$	2017 \$
<b>Note 16. Statement of cash flows</b>		
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	25,624	61,450
Non cash items:		
- depreciation	11,137	12,329
- amortisation	22,000	22,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(8,394)	8,286
- (increase)/decrease in other assets	(11,723)	(348)
- increase/(decrease) in payables	7,528	17,067
- increase/(decrease) in provisions	3,151	(7,117)
- increase/(decrease) in current tax liabilities	(19,923)	(1,078)
<b>Net cash flows provided by operating activities</b>	<b>29,400</b>	<b>112,589</b>

## 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	38,245	37,131
- between 12 months and 5 years	-	37,131
	<b>38,245</b>	<b>74,262</b>

The company has entered into a lease for the branch premises at 32 Bank Street, Port Fairy. The lease is non-cancellable lease with a five-year term, with the option of a further two five years terms. The commencement date of the lease was 24 June 2014. Rent on the premises increases by CPI annually. Rent is payable monthly in advance.

## 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
- non audit services	1,830	2,295
	<b>6,230</b>	<b>6,495</b>

# Notes to the financial statements (continued)

## Note 19. Director and related party disclosures

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

Ralph David Leutton  
 Nicole Louise Dwyer  
 Peter John Langley  
 Richard Nicholas Abbott  
 John Julian Rahilly  
 Margaret Donne Leutton  
 Diana Jane Officer  
 Anne Theresa Abbott (Resigned 4 December 2017)  
 Gabrielle Mary Batt (Resigned 31 October 2017)

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

Directors' shareholdings	2018	2017
Ralph David Leutton	5,001	5,001
Nicole Louise Dwyer	2,501	2,501
Peter John Langley	20,001	20,001
Richard Nicholas Abbott #	20,002	20,002
John Julian Rahilly	5,000	5,000
Margaret Donne Leutton	5,001	5,001
Diana J Officer	2,000	1,500
Anne Theresa Abbott (Resigned 4 December 2017) #	20,002	20,002
Gabrielle Mary Batt (Resigned 31 October 2017)	6,000	6,000

# Shares jointly held

There was movement in directors' shareholdings during the year.

	2018 \$	2017 \$
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## Note 20. Franking account

### d. Franking account balance

Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	77,129	30,386
- franking credits that will arise from payment of income tax as at the end of the financial year	(11,507)	19,923
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	65,622	50,309

## Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 20. Franking account (continued)		
<b>d. Franking account balance (continued)</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>65,622</b>	<b>50,309</b>

### 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.

### Note 22. Earnings per share

	2018 \$	2017 \$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	25,624	61,450
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	937,667	937,667

### 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 Port Fairy, Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.



# Notes to the financial statements (continued)

## 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

Shop 4  
32a Bank Street  
Port Fairy VIC 3284

### Principal Place of Business

Shop 4  
32a Bank Street  
Port Fairy VIC 3284

## 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	15,999	11,599	715,000	690,000	-	-	-	-	-	-	1.91	2.11
Receivables	-	-	-	-	-	-	-	-	52,761	41,932	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	-	8,046	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.

## Notes to the financial statements (continued)

### Note 27. Financial instruments (continued)

#### 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:

	<b>2018</b> <b>\$</b>	<b>2017</b> <b>\$</b>
Change in profit/(loss)		
Increase in interest rate by 1%	7,310	7,016
Decrease in interest rate by 1%	(7,310)	(7,016)
Change in equity		
Increase in interest rate by 1%	7,310	7,016
Decrease in interest rate by 1%	(7,310)	(7,016)

# Directors' declaration

In accordance with a resolution of the directors of Belfast Community Enterprises 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.



**Ralph David Leutton,**  
**Chairman**

Signed on the 26th of September 2018.

# Independent audit report



Chartered Accountants

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

## Independent auditor's report to the members of Belfast Community Enterprises Limited

### Report on the audit of the financial statements

#### Our opinion

In our opinion, the financial report of Belfast Community Enterprises 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

Belfast Community Enterprises 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: 21 September 2018



**David Hutchings**  
Lead Auditor

Port Fairy & District **Community Bank**<sup>®</sup> Branch  
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