

2018 Annual Report



Break O'Day Community
Financial Services Limited

ABN 63 614 142 853

St Helens/St Marys **Community Bank®** Branch

Contents

Chair's report	2
Manager's report	3
Bendigo and Adelaide Bank report	5
Directors' report	6
Auditor's independence declaration	12
Financial statements	13
Notes to the financial statements	17
Directors' declaration	37
Independent audit report	38

Chair's report

For year ending 30 June 2018

As Chair of Break O'Day Community Financial Services Limited I am pleased and privileged to report to you, our valued shareholders, on the progress of your company during the 2017/18 financial year.

At the start of the financial year we were in the process of raising working capital through the sale of shares in our company after the issue of a Supplementary Prospectus in April 2017. The closing date for share sales was 31 October 2017 and we were rewarded with a resounding success with 760,851 shares having been purchased.

Our Board worked diligently over the next three months so we could meet our targeted branch opening date of 8 February 2018. The building fitout plans were completed and approved and contractors were engaged to undertake the works. These were completed to a very high standard and we thank Vos Nominees and their sub-contractors for their good work. We commenced our recruitment process and were overwhelmed with applications from a range of very capable aspirants. Our successful Branch Manager, Sheree Archer, and her team comprising Tom Bassett, Pam Bailey and Rhani Hayes have risen to the challenge as is evidenced by their teamwork and by the high level of professional service they provide to our customers.

Our St Helens/St Marys **Community Bank**[®] Branch opening on 8 February 2018 was a wonderful day for all involved with the attendance numbers being more than double our expectations. Such a high level of support from our shareholders, the Break O'Day community, the Bendigo and Adelaide Bank Limited community and from members of **Community Bank**[®] Boards from across Tasmania was most gratifying. As part of our opening ceremony we provided grant money to nine community organisations; the Fingal Valley Festival, the Valley and East Coast Voice, St Marys Community Space Association, East Coast Swans, Scamander Surf Life Saving Club, St Helens Volunteer Fire Brigade, Poss M'agic Childcare Centre, St Helens Netball Association and St Helens Marine Rescue. These funds were committed to local causes such as physical activity toys for children, sporting equipment and training for young players, community facilities, a defibrillator and rescue equipment.

Following our branch opening we set about providing a first-class banking service for our community. We have achieved a high level of support with customer numbers and banking business well above the targets that we set for the end of the financial year. We have recently been advised that one of the major banks is leaving St Helens in October so we anticipate a significant boost to our customer base over the next few months. We continue to work on the establishment of an agency in St Marys and our current aim is to bring this forward to the 2018/19 financial year.

Our Board and branch staff were deeply saddened in late June at the unexpected passing of our fellow Board member and friend, Geoffrey Probert. Geoffrey had extensive experience in the financial planning industry and a deep interest in the development of strong community resilience. He will be sorely missed!

In closing, our thanks go out to the wonderful team at Bendigo and Adelaide Bank Limited who are always there when we require assistance, advice or a helping hand. Also, the on-going support and advice from our fellow **Community Bank**[®] Boards throughout Tasmania is always appreciated. But mostly, we thank our shareholders, customers, supporters and the Break O'Day community for joining us on this remarkable journey.



Andrew MacGregor,
Chair

Manager's report

For year ending 30 June 2018

It gives me great pleasure in writing my first Branch Manager's report on my exciting and rewarding role at the St Helens/St Marys **Community Bank**[®] Branch. It would be an understatement to say that it has been a whirlwind introduction to the new branch for our newly formed team.

We have been presented with our fair share of challenges throughout this process to date, starting with the transition from an agency to an actual **Community Bank**[®] branch, working through the branch fitout process and many hours of staff training, to get to a point where we are now operational and building our customer base and branch business.

One of our early successes, was our recruitment of a strong team of local staff. The branch team has developed and evolved over the past six months, working together and utilising their individual skills, to assist our customers with their banking needs. I firmly believe that the ongoing success of our branch depends on the strength of us operating as a team, with the same values and high standard of service being provided at all times.

We have been very fortunate to secure the services of Tom Bassett, who has continued on from managing our agency in the same building, to the crucial role of Customer Relationship Officer. His ability to handle the day to day operations of the branch has, and will continue to be, paramount to the ongoing success of the branch.

It has been pleasing to see the development of both Pam Bailey and Rhani Hays (our Customer Service Officers) over the past six months, in particular their willingness and positive approach to learning any new task put before them. Together our team continue to provide a high level of service and present a welcoming united front to all new and existing customers of our branch.

Throughout my journey to date, I have been privileged to be able to work with a great group of people, all working hard for a common cause, and that is, for the ongoing success of our branch and our community. This group of dedicated people, who possess a diverse range of skills and experience, are our Board members, who give freely of their time, working in a voluntary capacity and have done so for many years leading up to the opening of the branch. I would like to take this opportunity to thank them all for their support so far, in particular Chairman Andrew MacGregor (with whom I work closely), for his ability to lead and direct the Board.

Even though it is still early days for our branch, we believe that we are tracking well in regard to budget expectations and will continue to grow in strength over the coming year. As I write this report (mid August 2018), our current funds under management are sitting at \$34.6 million after commencing the financial year with \$29.4 million. With the great support of our specialist team members from Business Banking, Relationship Banking, General Insurance and Community Sector Banking (for our not-for-profit organisations), I am confident that we will continue to grow, and I am looking forward to the end of 2018/19 financial year results.

Our team is working diligently through some busy times, with the impending closure of one of the local banks bringing many more people through the doors. We appreciate the support of our customers and these newly formed relationships.

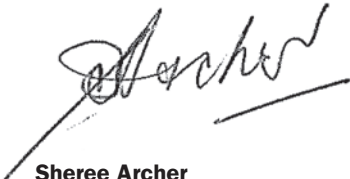
We are also considering our options in relation to establishing an agency in St Marys. We hope to have this operational sometime in the near future.

It was very rewarding to recently be involved in presenting what are now our second round of community grants. To date we have contributed over \$11,000 in funds back into our community, for numerous worthwhile projects.

Manager's report (continued)

We have received great support in a branch operational aspect from our Regional Manager Martyn Neville and Regional Community Manager Stewart Nankervis. Their ongoing support and guidance is greatly appreciated.

Finally, I would like to thank our shareholders for their support. This has enabled our community to achieve their vision of getting their very own **Community Bank**® branch up and running. We are off to a great start and we are positive that this will prove to be a successful, profitable and sustainable **Community Bank**® branch and as a result of the great teamwork by all concerned, deliver positive outcomes for our customers and community.

A handwritten signature in black ink, appearing to read 'Sheree Archer', with a long horizontal stroke extending to the left.

Sheree Archer

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:

Andrew Donald MacGregor

Chair

Occupation: Retired Surveyor

Qualifications, experience and expertise: Experienced throughout Tasmania as a Registered Land Surveyor, Certified Practising Planner, Property Development Consultant and Project Facilitator. Andrew has served as local government Councillor and Warden, as well as Director of several private companies. As a Life Member of St Helens and Districts Chamber of Commerce, past Chair of the Break O'Day Business Enterprise Board, current Chair of Medea Park Residential Care and a Board Member of the Tasmanian Community Fund. Andrew is passionate about developing economic opportunity for all in our community and views the **Community Bank**[®] branch as a key part of this process.

Special responsibilities: HR Committee

Interest in shares: 21,015

David Edward Llewellyn

Deputy Chairman

Occupation: Viticulturist

Qualifications, experience and expertise: David is the Owner/Manager of Priory Ridge Wines, a successful business in St Helens. As a former politician for 28 years, he served more than 14 years as a Cabinet Minister in previous Tasmanian Governments and for some time held the position of Deputy Premier. David is a member of the Diocesan Board of Trustees for the Anglican Church in Tasmania and a former Chairman of Anglicare Tasmania. David has a 26 year background in electronic engineering as a senior Technical Officer and Operations Manager. In 2012 he was made a Member of the Order of Australia for services to the Tasmanian Parliament and to charity.

Special responsibilities: Deputy Chairman, Property Committee, Governance and Audit Committee

Interest in shares: 32,401

Roger William Harrison Harlow

Treasurer

Occupation: Retired Teacher and Scientist

Qualifications, experience and expertise: Roger trained as a medical research scientist in Adelaide and Hobart, moving to St Helens to teach mathematics and science. He has served as Municipal Treasurer, Chair and Treasurer of Healthy House as well as Director of Medea Park Assoc. and Orienteering Tasmania. Secretary of a local company for 31 years. Roger has a strong commitment to Break O'Day and its future. He sees the **Community Bank**[®] branch as a key factor in growing community confidence and prosperity.

Special responsibilities: Treasurer, HR Committee, Marketing and Finance Committee

Interest in shares: 4,272

Directors' report (continued)

Directors (continued)

Christopher Frederick Triebe

Secretary

Occupation: Local Government – Municipal Town Planner

Qualifications, experience and expertise: After a career in the RAAF, Chris managed a sailing holiday business in Greece and on return to Australia, gained a Bachelor of Business (Hons) at Australian Maritime College, specialising in Customer Relationship Management in Australian Seaports. At Break O'Day Council he completed a Grad.Dip. in Urban and Environmental Planning. Over the past 10 years, Chris has been the local Officer in Charge of the Australian Electoral Commission, a member of RSLA and the RAAF Association. A previous volunteer of the St Helens Fire Brigade, Chris is also a keen member of the St Helens Golf Club and previous Secretary. His energy and enthusiasm for the **Community Bank**[®] model will be a valued asset on the Board.

Special responsibilities: Secretary, Governance and Audit Committee, Marketing and Sponsorship Committee

Interest in shares: 4,151

Sandra Maree Lohrey

Director

Occupation: Retail Assistant

Qualifications, experience and expertise: Sandra was born and raised in St Helens and is now employed here in the retail sector. She has experience as a small business operator in her role as a Nutrimetics sales consultant. As Team Captain and participant in the Cancer Council's Relay for Life. Sandra is a capable organiser. She has coordinated the work of the Steering Committee as Secretary and her extensive local connections and relationships will be strong assets in the Board's community development for the Bank.

Special responsibilities: HR Committee, Launch Committee

Interest in shares: 2,501

Timothy James Harrison

Director

Occupation: Retail Assistant

Qualifications, experience and expertise: Broad, long-term experience in local retail business as both owner and employee, across hospitality, real estate, hardware and local banking, gives Tim a strong understanding of the community financial needs of Break O'Day. His customer relations and sales skills will be valued assets in the Board's task of building business for the **Community Bank**[®] branch.

Special responsibilities: Collaborative Marketing Committee, Marketing and Sponsorship Committee

Interest in shares: 201

Annette Elizabeth Maney

Director

Occupation: Retail Assistant

Qualifications, experience and expertise: Annette's deep understanding of the banking sector came through roles in retail banking for two different major banks, customer service and branch administration, staff supervision and training, as well as regional management. She has developed product promotion and sales skills developed through her successful retail business, featuring international mail order. Annette brings good communication and negotiation skills to the Board and sees the **Community Bank**[®] branch as a great vehicle to both serve and develop the community.

Special responsibilities: HR Committee, Marketing and Sponsorship Committee, Launch Committee

Interest in shares: 5,203

Directors' report (continued)

Directors (continued)

Stephen John Walley

Director

Occupation: Educational Consultant

Qualifications, experience and expertise: A distinguished teaching career saw Stephen achieve Principalship of St Helens, St Marys and Prospect High Schools. He currently offers Educational Leadership and Coaching as a private consultant. Stephen continues to support young people and his community commitment shines in his Life Membership of St Helens Football Club and continuing involvement in a range of other community committees. Building community connections is a key success factor for the **Community Bank**[®] branch and the Board values Stephen's extensive skills in this area.

Special responsibilities: HR Committee, Marketing and Sponsorship Committee

Interest in shares: 5,001

Lynne West Fitzgerald

Director (Appointed 19 February 2018)

Occupation: Retired

Qualifications, experience and expertise: Consultant, Hunt & Fitzgerald 2013-2015, providing services to businesses and not-for-profit organisation; Director Strategy and Research, Tasmanian Department of Economic Development, Tourism and the Arts, 2004-2012; Responsibilities included the development and implementation of the government's Labour market programs and the preparation of its Economic Development Plan. Secretary, Unions Tasmania, 1995-2004. Community work has included: Adult Literacy Volunteer Tutor, Hobart Community Legal Service Board member and Meals on Wheels volunteer driver. Bachelor of Education degree from the University of Tasmania and a Certificate of Superannuation Trusteeship.

Special responsibilities: Governance and Audit Committee

Interest in shares: 400

Geoffrey Roy Probert

Director (Deceased 23 June 2018)

Occupation: Financial Consultant

Qualifications, experience and expertise: Geoffrey's BSc and MBA from Melbourne University led to a wide range of roles as business builder and marketing consultant and to extensive experience in the financial planning industry. In Directorships on both publicly listed and private company Boards, his industry range spans Financial Planning, Resources, Building Materials and Food Processing. Geoffrey has also been involved in capital raising and listing of Companies on the ASX. He now has a strong interest in the development of local community resilience through TransBOD and the **Community Bank**[®] branch.

Special responsibilities: Nil

Interest in shares: 1

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

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

Directors' report (continued)

Company Secretary

The company secretary is Christopher Triebe. Chris was appointed to the position of secretary on 9 August 2016.

Qualifications, experience and expertise: After a career in the RAAF, Chris managed a sailing holiday business in Greece and on return to Australia, gained a Bachelor of Business (Hons) at Australian Maritime College, specialising in Customer Relationship Management in Australian Seaports. At Break O'Day Council he completed a Grad.Dip. in Urban and Environmental Planning. Over the past 10 years, Chris has been the local Officer in Charge of the Australian Electoral Commission, a member of RSLA and the RAAF Association. A previous volunteer of the St Helens Fire Brigade, Chris is also a keen member of the St Helens Golf Club and previous Secretary. His energy and enthusiasm for the **Community Bank®** model will be a valued asset on the Board.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
(91,225)	(3,376)

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs

On the 8th of February 2018 the branch opened and commenced operations.

In the opinion of the directors there were no other 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.

Directors' report (continued)

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' meetings

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

	Board Meetings Attended	
	Eligible	Attended
Andrew Donald MacGregor	20	20
David Edward Llewellyn	20	17
Roger William Harrison Harlow	20	19
Christopher Frederick Triebe	20	19
Sandra Maree Lohrey	20	15
Timothy James Harrison	20	18
Annette Elizabeth Maney	20	17
Stephen John Walley	20	15
Lynne West Fitzgerald (Appointed 29 February 2018)	5	5
Geoffrey Roy Probert (Deceased 23 June 2018)	19	13

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 12.

Signed in accordance with a resolution of the board of directors at St Helens, Tasmania on 24 September 2018.



Andrew Donald MacGregor,
Chairman

Auditor's independence declaration



Partners in success

Chartered Accountants

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

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Break O'Day Community Financial Services Ltd

As lead auditor for the audit of Break O'Day Community Financial Services Ltd 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: 24 September 2018

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

David Hutchings
Lead Auditor

Taxation | Audit | Business Services

Liability limited by a scheme approved under Professional Standards Legislation. ABN 51 061 795 337

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	117,121	1,600
Employee benefits expense		(123,888)	-
Charitable donations, sponsorship, advertising and promotion		(15,600)	-
Occupancy and associated costs		(20,951)	-
Systems costs		(14,926)	-
Depreciation and amortisation expense	5	(16,850)	-
Finance costs	5	(86)	(68)
General administration expenses		(49,900)	(6,189)
Loss before income tax credit		(125,080)	(4,657)
Income tax credit	6	33,855	1,281
Loss after income tax credit		(91,225)	(3,376)
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		(91,225)	(3,376)
Earnings per share		¢	¢
Basic earnings per share	22	(14.23)	(37,511)

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	282,246	536,268
Trade and other receivables	8	31,660	4,617
Total current assets		313,906	540,885
Non-current assets			
Property, plant and equipment	9	218,891	-
Intangible assets	10	121,906	-
Deferred tax asset	11	35,136	1,281
Total non-current assets		375,933	1,281
Total assets		689,839	542,166
LIABILITIES			
Current liabilities			
Trade and other payables	12	32,669	554,053
Borrowings	13	2,697	9,574
Provisions	14	8,411	-
Total current liabilities		43,777	563,627
Non-current liabilities			
Borrowings	13	16,291	-
Total non-current liabilities		16,291	-
Total liabilities		60,068	563,627
Net assets/(liabilities)		629,771	(21,461)
EQUITY			
Issued capital	15	724,372	(18,085)
Accumulated losses	16	(94,601)	(3,376)
Total equity		629,771	(21,461)

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Note	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016		-	-	-
Total comprehensive income for the year		-	(3,376)	(3,376)
Transactions with owners in their capacity as owners:				
Shares issued during period		10	-	10
Costs of issuing shares		(18,095)	-	(18,095)
Dividends provided for or paid		-	-	-
Balance at 30 June 2017		(18,085)	(3,376)	(21,461)
Balance at 1 July 2017		(18,085)	(3,376)	(21,461)
Total comprehensive income for the year		-	(91,225)	(91,225)
Transactions with owners in their capacity as owners:				
Shares issued during period		760,841	-	760,841
Costs of issuing shares		(18,384)	-	(18,384)
Dividends provided for or paid		-	-	-
Balance at 30 June 2018		724,372	(94,601)	629,771

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		138,579	1,851
Payments to suppliers and employees		(268,397)	(6,352)
Interest received		3,523	-
Interest paid		(86)	(68)
Net cash used in operating activities	17	(126,381)	(4,569)
Cash flows from investing activities			
Payments for property, plant and equipment		(226,574)	-
Payments for intangible assets		(131,072)	-
Net cash used in investing activities		(357,646)	-
Cash flows from financing activities			
Proceeds from shares issued		-	10
Proceeds from share applications		224,583	536,258
Costs of issuing shares		(3,992)	(5,005)
Proceeds from borrowings		20,490	7,325
Repayment of borrowings		(8,827)	-
Net cash provided by financing activities		232,254	538,588
Net increase/(decrease) in cash held		(251,773)	534,019
Cash and cash equivalents at the beginning of the financial year		534,019	-
Cash and cash equivalents at the end of the financial year	7(a)	282,246	534,019

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.

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating lease of its branch. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to \$143,831, on an undiscounted basis (see Note 18).

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at St Helens, Tasmania.

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

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

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

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

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

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

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

Notes to the financial statements (continued)

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

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 unrefunded).

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
- motor vehicles	5	years

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

Financial assets are 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) *Financial liabilities*

Financial liabilities include borrowings, trade and other payables and non-derivative financial liabilities (excluding financial guarantees). They 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

Notes to the financial statements (continued)

Note 2. Financial risk management (*continued*)

(vi) Capital management

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

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

The distribution limit is the greater of:

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2018 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

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.

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.

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.

Note 4. Revenue from ordinary activities	2018	2017
	\$	\$
Operating activities:		
- gross margin	41,814	-
- services commissions	16,824	-
- fee income	3,863	-
- market development fund	16,667	-
Total revenue from operating activities	<u>79,168</u>	<u>-</u>
Non-operating activities:		
- interest received	4,743	-
- rental revenue	13,210	-
- other revenue	20,000	1,600
Total revenue from non-operating activities	<u>37,953</u>	<u>1,600</u>
Total revenues from ordinary activities	<u>117,121</u>	<u>1,600</u>

Notes to the financial statements (continued)

Note 5.	Expenses	2018	2017
		\$	\$
	Depreciation of non-current assets:		
	- plant and equipment	43	-
	- leasehold improvements	5,362	-
	- motor vehicle	2,278	-
	Amortisation of non-current assets:		
	- franchise agreement	833	-
	- establishment fee	8,334	-
		<u>16,850</u>	<u>-</u>
	Finance costs:		
	- interest paid	<u>86</u>	<u>68</u>

Note 6.	Income tax credit		
	The components of tax credit comprise:		
	- Future income tax benefit attributable to losses	(35,402)	(1,281)
	- Movement in deferred tax	1,547	-
		<u>(33,855)</u>	<u>(1,281)</u>
	The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax credit as follows		
	Operating loss	(125,080)	(4,657)
	Prima facie tax on loss from ordinary activities at 27.5% (2017: 27.5%)	(34,397)	(1,281)
	Add tax effect of:		
	- non-deductible expenses	2,549	-
	- timing difference expenses	(1,548)	-
	- other deductible expenses	(2,006)	-
		<u>(35,402)</u>	<u>(1,281)</u>
	Movement in deferred tax	1,547	-
		<u>(33,855)</u>	<u>(1,281)</u>

Notes to the financial statements (continued)

Note 7.	Cash and cash equivalents	2018	2017
		\$	\$
Cash at bank and on hand		29,591	536,268
Term deposits		252,655	-
		<u>282,246</u>	<u>536,268</u>

Note 7.(a) Reconciliation to cash flow statement

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

Cash at bank and on hand		29,591	536,268
Term deposits		252,655	-
Bank overdraft	Note 13	-	(2,249)
		<u>282,246</u>	<u>534,019</u>

Note 8. Trade and other receivables

Trade receivables		13,969	-
Prepayments		9,311	3,734
Other receivables and accruals		8,380	883
		<u>31,660</u>	<u>4,617</u>

Note 9. Property, plant and equipment

Leasehold improvements			
At cost		205,289	-
Less accumulated depreciation		(5,362)	-
		<u>199,927</u>	<u>-</u>
Plant and equipment			
At cost		1,443	-
Less accumulated depreciation		(43)	-
		<u>1,400</u>	<u>-</u>
Motor vehicles			
At cost		19,842	-
Less accumulated depreciation		(2,278)	-
		<u>17,564</u>	<u>-</u>
Total written down amount		<u>218,891</u>	<u>-</u>

Notes to the financial statements (continued)

Note 9. Property, plant and equipment <i>(continued)</i>	2018 \$	2017 \$
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	-	-
Additions	205,289	-
Disposals	-	-
Less: depreciation expense	(5,362)	-
Carrying amount at end	<u>199,927</u>	<u>-</u>
Plant and equipment		
Carrying amount at beginning	-	-
Additions	1,443	-
Disposals	-	-
Less: depreciation expense	(43)	-
Carrying amount at end	<u>1,400</u>	<u>-</u>
Motor vehicles		
Carrying amount at beginning	-	-
Additions	19,842	-
Disposals	-	-
Less: depreciation expense	(2,278)	-
Carrying amount at end	<u>17,564</u>	<u>-</u>
Total written down amount	<u>218,891</u>	<u>-</u>
Note 10. Intangible assets		
Franchise fee		
At cost	10,000	-
Less: accumulated amortisation	(833)	-
	<u>9,167</u>	<u>-</u>
Establishment fee		
At cost	100,000	-
Less: accumulated amortisation	(8,333)	-
	<u>91,667</u>	<u>-</u>
Goodwill on purchase of agency		
At cost	21,072	-
Less: accumulated impairment losses	-	-
	<u>21,072</u>	<u>-</u>
Total written down amount	<u>121,906</u>	<u>-</u>

Notes to the financial statements (continued)

Note 11. Tax	2018 \$	2017 \$
Deferred tax assets		
- accruals	770	-
- employee provisions	2,313	-
- tax losses carried forward	36,682	1,281
	<u>39,765</u>	<u>1,281</u>
Deferred tax liability		
- accruals	336	-
- other	4,293	-
	<u>4,629</u>	<u>-</u>
Net deferred tax asset	<u>35,136</u>	<u>1,281</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>(33,855)</u>	<u>(1,281)</u>

Note 12. Trade and other payables

Trade creditors	603	7,319
Other creditors and accruals	32,066	10,476
Share applications monies held in trust	-	536,258
	<u>32,669</u>	<u>554,053</u>

Note 13. Borrowings

Current:

Bank overdrafts	-	2,249
Chattel mortgage	Note 18 2,687	-
Unsecured loans	10	7,325
	<u>2,697</u>	<u>9,574</u>

Non-current:

Chattel mortgage	Note 18 16,291	-
	<u>16,291</u>	<u>-</u>

The unsecured loans relate to loans from directors for expenses relating to the company. The bank overdraft was closed during the financial year.

Note 14. Provisions

Provision for annual leave	<u>8,411</u>	<u>-</u>
----------------------------	--------------	----------

Notes to the financial statements (continued)

Note 15. Issued capital	2018	2017
	\$	\$
760,851 ordinary shares fully paid (2017: 10)	760,851	10
Less: equity raising expenses	(36,479)	(18,095)
	<u>724,372</u>	<u>(18,085)</u>

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 257. As at the date of this report, the company had 285 shareholders.

Notes to the financial statements (continued)

Note 15. Issued capital (*continued*)

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

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

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

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

Note 16. Accumulated losses	2018	2017
	\$	\$
Balance at the beginning of the financial year	(3,376)	-
Net loss from ordinary activities after income tax	(91,225)	(3,376)
Balance at the end of the financial year	<u>(94,601)</u>	<u>(3,376)</u>

Note 17. Statement of cash flows

Reconciliation of loss from ordinary activities after tax to net cash used in operating activities

Loss from ordinary activities after income tax	(91,225)	(3,376)
Non cash items:		
- depreciation	7,683	-
- amortisation	9,167	-
Changes in assets and liabilities:		
- increase in receivables	(27,043)	(4,617)
- increase in other assets	(33,855)	(1,281)
- increase in payables	481	4,705
- increase in provisions	8,411	-
Net cash flows used in operating activities	<u>(126,381)</u>	<u>(4,569)</u>

Notes to the financial statements (continued)

Note 18. Leases	2018 \$	2017 \$
Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	3,473	-
- between 12 months and 5 years	18,010	-
- greater than 5 years	-	-
Minimum lease payments	21,483	-
Less future finance charges	(2,505)	-
Present value of minimum lease payments	18,978	-

The finance lease for the Kia Rio, which commenced in December 2017, is a five-year lease. Interest is recognised at an average rate of 4.5% (2017: nil).

Operating lease agreements

The future minimum lease payments receivable under non-cancellable operating leases in the aggregate for each of the following periods:

- not later than 12 months	6,933	-
- between 12 months and 5 years	-	-
- greater than 5 years	-	-
	6,933	-

The operating lease is a non-cancellable lease with a one-year term commencing 7 February 2018. Rent is receivable monthly. Net rental income received in 2018 of \$13,210 (2017: \$nil).

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	30,821	-
- between 12 months and 5 years	113,010	-
- greater than 5 years	-	-
	143,831	-

The St Helens branch lease is a non-cancellable lease with a five-year term commencing on 8 February 2018, with two additional options for five years. Rent is payable monthly in advance.

Note 19. Auditor's remuneration

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

- audit and review services	1,700	-
- non audit services	4,960	2,614
	6,660	2,614

Notes to the financial statements (continued)

Note 20. Director and related party disclosures

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

Andrew Donald MacGregor
David Edward Llewellyn
Roger William Harrison Harlow
Christopher Frederick Triebe
Sandra Maree Lohrey
Timothy James Harrison
Annette Elizabeth Maney
Stephen John Walley
Lynne West Fitzgerald (*Appointed 29 February 2018*)
Geoffrey Roy Probert (*Resigned 23 June 2018*)

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	<u>2018</u>	<u>2017</u>
Andrew Donald MacGregor	21,015	2
David Edward Llewellyn	32,401	1
Roger William Harrison Harlow	4,272	1
Christopher Frederick Triebe	4,151	1
Sandra Maree Lohrey	2,501	1
Timothy James Harrison	201	1
Annette Elizabeth Maney	5,203	1
Stephen John Walley	5,001	1
Lynne West Fitzgerald (<i>Appointed 29 February 2018</i>)	400	-
Geoffrey Roy Probert (<i>Resigned 23 June 2018</i>)	1	1

There was no movement in directors shareholdings during the year.

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.

Community Bank® Directors' Privileges Package

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

Notes to the financial statements (continued)

Note 22. Earnings per share	2018	2017
	\$	\$
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(91,225)	(3,376)
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	640,894	9

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 St Helens, Tasmania 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
Avery House
48 Cecilia Street
St Helens, TAS 7216

Principal Place of Business
41 Cecilia Street
St Helens, TAS 7216

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	29,591	536,268	252,655	-	-	-	-	-	-	-	1.72	Nil
Receivables	-	-	-	-	-	-	-	-	13,969	-	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	2,249	2,687	-	16,291	-	-	-	10	7,325	4.48	Nil
Payables	-	-	-	-	-	-	-	-	603	7,319	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2018	2017
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	2,633	5,340
Decrease in interest rate by 1%	(2,633)	(5,340)
Change in equity		
Increase in interest rate by 1%	2,633	5,340
Decrease in interest rate by 1%	(2,633)	(5,340)

Directors' declaration

In accordance with a resolution of the directors of Break O'Day Community Financial Services Ltd, 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.



Andrew Donald MacGregor,
Chairman

Signed on the 24th 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 Break O'Day Community Financial Services Ltd

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Break O'Day Community Financial Services Ltd 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

Break O'Day Community Financial Services Ltd'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.

Taxation | Audit | Business Services

Liability limited by a scheme approved under Professional Standards Legislation. ABN 51 061 795 337

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: 24 September 2018



David Hutchings
Lead Auditor

St Helens/St Marys **Community Bank**[®] Branch
41 Cecilia Street, St Helens TAS 7216
Phone: (03) 6376 1175

Franchisee: Break O'Day Community Financial Services Limited
48 Cecilia Street, St Helens TAS 7216
Phone: 0419 894 072
ABN: 63 614 142 853

www.bendigobank.com.au

(BNPAR18086) (10/18)

This Annual Report has been printed on 100% Recycled Paper



bendigobank.com.au

