



# Annual Report 2017

Buloke Community  
Enterprises Limited

ABN 29 147 298 039

Donald & District **Community Bank®** Branch

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# Chairman's report

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For year ending 30 June 2017

I am pleased to present the seventh Annual Report of Buloke Community Enterprises Limited to shareholders.

Our fifth full year of operation saw a welcome improvement in seasonal conditions in 2016 and the first half of 2017, which has resulted in an increase in confidence and activity among farm and other businesses in Donald and the surrounding district.

We have experienced a small net growth in business in the branch despite an increase in the pay down of debts in the low interest rate environment and continuing low margins in banking. While the business is heading in the right direction, Buloke Community Enterprises Limited incurred a loss of \$37,032, and has had to continue to draw on the overdraft.

Our strategy to achieve profitability is to continue to monitor costs and to increase business in the branch. Benchmarking of costs has revealed that the costs of operating Donald & District **Community Bank**<sup>®</sup> Branch are well below the average for similar Bendigo Bank (BEN) branches, and there is little scope to further reduce costs without impacting on operations. Despite this, continued monitoring of costs and review of operations is a priority.

We are continuing to invest in upskilling of staff so that we can better meet the needs of customers. Priority areas are building relationships with businesses and community members with a focus on the farming sector, and on customer service. The branch staff are being supported by BEN and Rural Bank specialists and the Regional Management Team, so that Donald & District **Community Bank**<sup>®</sup> Branch is offering a full range of services to all sectors of the community. The strategies being implemented to upskill staff and develop relationships with businesses and the community typically have a long lead-time but are starting to yield results.

We are continuing to promote services through traditional advertising and publicity in local papers and social media. We have also initiated the following activities:

- Information Evening with Rural Bank for Farmers
- Coffee For an Insurance Quote
- Learners Drivers Package
- New Baby Vouchers.

Our staffing structure has continued to evolve. Naomi Fay resigned her position as Customer Service Officer in 2017. The hours covered by this position were allocated to Chloe Jane and Judy Postlethwaite, and Karen Goldsmith was appointed to a part-time position to cover the shortfall in hours. Having four staff members provides the flexibility to cover any absences due to annual leave, illness and training etc, and still meet the minimum staffing requirements to keep the branch open for five days a week. Kim Carey who has been appointed Customer Relationship Manager is leading the team. There is a focus on training, developing skills, sharing responsibilities, and on building relationships with the farming sector, customers and the community at large.

From July 2016 we have been operating under the new BEN regional management structure. This has been a very positive change with Buloke Community Enterprises Limited and the Donald & District **Community Bank**<sup>®</sup> Branch receiving excellent support from Wayne Tobin, Jodie McLeod and Sharyn White.

# Chairman's report (continued)

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We have continued our support of the local community through sponsorship, grants and donations from the Market Development Fund, including to the following:

Donald P&A Society	Donald Bowling Club Annual Tournament
Donald Basketball	Donald Netball Club
Donald and District Race Club	Donald Golf Club – Annual Tournament
Donald Lawn Tennis Club Annual Tournament	Donald Football Club
Donald Chamber of Commerce and Industry Christmas Promotion and membership	Learner Driver Reward Package
Donald High School – Scholarship and Breakfast Club	Cuisine in the crop
Donald Golf Bowls Club – Mini Pennant	Donald Community Gate Greenhouse Project
Jeffcott Cricket Club Pink Stumps Day	Marnoo Primary School Art Promotion

On behalf of the Board, I would like to acknowledge the hard work and professionalism of Kim, Chloe, Judy and Karen, who are the public face of our **Community Bank®** branch, and thank them for their ongoing commitment to building the business and customer service. I would also like to thank my fellow Board members for their contributions and support, including Board Secretary Shane O'Shea, finance officer Angie Donnellon, and acknowledge the contributions of Jim Deans, who resigned as a Director during the year, and Heath Griffiths who will be stepping down at the next Annual General Meeting.

To date, Buloke Community Enterprises Limited has established the Donald & District **Community Bank®** Branch which has made and will continue to make significant financial contributions to the community, is providing a five day a week banking service, is operating a VicRoads agency in Donald, is providing employment in the town, and is supporting community organisations to stage events and provide services, all of which contribute to economic activity in Donald and district.

While establishing a profitable **Community Bank®** branch has proven to be a challenge, I am confident that this will be achieved with the ongoing commitment and focus from the Board, staff and BEN management team, and by shareholders, businesses and the community supporting the banking business.



**John Stuchbery**  
**Chairman**

# Manager's report

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For year ending 30 June 2017

I am pleased to present the Buloke Community Enterprises Limited 2017 Manager's Annual Report to our shareholders and customers.

Let me start by saying that the past year has been another challenging one, with a lack of business growth, the current business on the books totals \$34.5 million which is comprised of loans and deposits.

Total business growth to 30 June 2017 was (\$655,000) which was attributed to a static lending growth, deposit growth of \$240,000, wealth products grew by \$880,000 which includes managed funds and superannuation. Our other business products reduced by (\$1.775 million) this encompasses our Small Business Lending, Community Sector Banking, Equipment Finance and Rural Bank. So, even though we did not achieve our budgeted growth, our growth position in 2017 shows a \$956,000 improvement on 2016.

Home loan discharges totalled \$1.044 million compared to the prior year of \$1.698 million which is a decrease of \$654,000. Loan approvals remained at a similar level as the prior year at \$2.41 million (up \$100,000). The movement in deposit growth was attributed to term deposits at \$223,000 and at call deposits grew by \$17,000. Lending growth, although static, saw a positive change in the level of approvals, lower discharges and higher pipeline figures.

Banking is becoming more and more competitive and the reduced margins across the banking sector means that we have to continue to do more with our existing customers as well as attracting new customers. Customer numbers have increased this year along with the number of products per customer. This can be attributed to the hard work and dedication of the branch team in helping our customers with more than just transactional banking. Our broad range of products and knowledge gives us the opportunity to find solutions for our customers across all aspects of banking, insurance, superannuation and much more.

I would like to thank John Stuchbery and the entire Board of Buloke Community Enterprises Limited for their tireless efforts, volunteering many hours of their own time over the previous 12 months. Everyone has worked diligently to monitor expenses and we need a continued focus to keep growing the business.

We have a small, but terrific branch team and I would like to acknowledge Judy, Chloe and Karen for their continued support, effort and enthusiasm. The team and I are dedicated to seeing positive turn around in the Donald & District **Community Bank**<sup>®</sup> Branch. I encourage all shareholders, community members, family and friends to support the business by doing their banking with the friendly and helpful team at Donald & District **Community Bank**<sup>®</sup> Branch.

I would also like to acknowledge the shareholders of Buloke Community Enterprises Limited; your ongoing support over the years is greatly appreciated.

Buloke Community Enterprises Limited plays a vital role in our community, not only by providing a quality, full banking service to our customers but also by employing local staff from the district. This results in the retention of local capital which is vital for any community. Not to be overlooked is the contributions that Buloke Community Enterprises Limited are able to make to our community by way of financial assistance such as sponsorships and grants but also in additional community involvement.

Our point of difference in banking is 'community' and the **Community Bank**<sup>®</sup> model is an integral part of Bendigo and Adelaide Bank's culture. We sincerely thank you for being part of this.



**Kim Carey**  
**Customer Relationship Manager**

# Directors' report

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For the financial year ended 30 June 2017

Your directors submit the financial statements of the company for the financial year ended 30 June 2017.

## Directors

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

### **Philip John Stuchbery**

Chairman

Occupation: Agricultural Consultant

Qualifications, experience and expertise: John grew up on the family farm in the Upper South East of South Australia. John has a Bachelor of Applied Science in Agriculture and a Graduate Diploma in Agriculture from Roseworthy Agricultural College. He has previously worked on the family farm, in research roles with the Departments of Agriculture in South Australia and Victoria, and for the Australian Wheat Board in South Australia . John owned and managed a consulting company which provided independent technical and management advice to farmers in western Victoria for 23 years, and now occupies a similar role with Agrivision Consultants. John was a member of the Donald Primary School Council for nine years and the Donald High School Council for four years.

Special Responsibilities: Chairman of Human Resources Committee

Interest in shares: 1,500

### **Angelique Tammy Donnellon**

Treasurer

Occupation: Casual Bookkeeper

Qualifications, experience and expertise: Angelique holds a Bachelor of Business (Accounting) and a Graduate Diploma of Education (Secondary). She lives on a farm with her husband and 4 sons specialising in crops and fat lambs. She currently holds Treasurer positions on Donald 2000, Donald Basketball Association, Donald Junior Cricket, and St Mary's Parents & Friends committees. Angelique recently joined Donald High School Advisory Council and is also on the Advisory Committee for Donald Children's Centre.

Special Responsibilities: Business/Community Development, Finance & Budget and Human Resources Committees

Interest in shares: 5,001

### **Shane Francis O'Shea**

Secretary

Occupation: Journalist & Photographer

Qualifications, experience and expertise: Shane is a partner in the Buloke Times newspaper, where he has worked for the past 45 years. Past President of Donald Lions Club, current member and past Chairman of Donald Cemetery Trust. Past President of the Donald Chamber of Commerce and Industry. Past President, Secretary and player with the Donald ANA Cricket Club. Past Secretary and player with the Donald Football Club.

Special Responsibilities: Chairman of Marketing & Sponsorship Committee

Interest in shares: 4,001

# Directors' report (continued)

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## Directors (continued)

### **John Anthony McConville**

Director

Occupation: Small Business Owner & Steel Fabricator

Qualifications, experience and expertise: John is married with four boys and the grandchildren, the owner of his own business, the Chairperson of Donald 2000, and a former farmer. He is a past football player for Watchem (15 years), a past President of Watchem Association Tennis Club, a past President, Secretary and player of Litchfield Tennis Club, a former member of Litchfield CFA, and a current member of Donald Field and Game. He is also currently a Director of Carlit Nominees Pty Ltd and McVill Pty Ltd.

Special Responsibilities: Business/Community Development and Human Resources Committees

Interest in shares: 1,001

### **Colin Thomas Gilmour**

Director

Occupation: Primary Producer

Qualifications, experience and expertise: Colin is the Captain of the Cope Cope CFA, Treasurer of Wimmera Mallee Cricket Association and Secretary of Donald Friends and Neighbours Society. He owns and manages a family farm.

Special Responsibilities: Nil

Interest in shares: 3,001

### **Claire Alexis Bibby**

Director

Occupation: Apprenticeship Co-ordinator

Qualifications, experience and expertise: Claire was brought up on a mixed farm near Donald (cropping and Merino sheep). She has an Advanced Diploma of Rural Business Management and Bachelor of Business from Marcus Oldham College, Geelong. She is currently working as the Apprenticeship Coordinator at Longerenong College. Claire was previously employed as an Agribusiness Relationship Manager with Rural Finance in Horsham and Ballarat and as Finance Officer with Rabobank in Griffith, NSW. Agriculture, youth and local communities are her passions. She has been involved in the Donald Show for the past 7 years, during which she was President of the Donald P & A Society for 4 years. Claire has recently joined the Cuisine in the Crop Committee and become a director on the Victorian Agricultural Shows Ltd board. This is an opportunity for her to work alongside like-minded community groups that are progressive and innovated and are working towards a common goal - a successful and thriving community for all ages to enjoy.

Special Responsibilities: Business/Community Development and Marketing & Sponsorship Committees

Interest in shares: Nil

### **Dale Heath Griffiths**

Director

Occupation: Sales Agronomist/Farmer

Qualifications, experience and expertise: Dale has completed a degree in Agricultural Science at Melbourne University, maintained employment as an agronomist / farm advisor though the Mallee and Southern NSW from 1996 - 2002. From 2002 - 2012 he worked on the family farm with his father and brother. In 2012 he began farming on his own as "Heath Griffiths Family Trust". From 2015 he began work full time with Landmark as an Agronomy Manager. He is passionate about soil science / agronomy and sustainable farming. He is currently on the Committee for Donald Squash Club where he has held Presidents position for 5 years. He was elected to the Board of Buloke Community Enterprises in 2014.

Special Responsibilities: Business/Community Development Committee

Interest in shares: Nil



# Directors' report (continued)

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## Directors (continued)

### Leo John Tellefson

Director (Appointed 24 October 2016)

Occupation: Small Business Operator

Qualifications, experience and expertise: Leo previously served as a Councillor of the Buloke Shire and Board member of East Wimmera Health Service. He is presently Treasurer and Board member of Johnson Goodwin Homes, Donald, a committee member of Donald Race Club and a Director of T & T Meats.

Special Responsibilities: Nil

Interest in shares: 5,000

### James Walter Deans

Director (Appointed 24 October 2016, Resigned 16 March 2017)

Occupation: Post Office Manager

Qualifications, experience and expertise: Post Office Manager

Special Responsibilities: Nil

Interest in shares: Nil

### Harold Hugh Flett

Director (Resigned 24 October 2016)

Occupation: Grain Grower

Qualifications, experience and expertise: Harold has been a farmer since leaving school in 1960, and has been involved in leadership in many levels of the community, including church, CFA, high school Council, and the Buloke Shire Council.

Special Responsibilities: Nil.

Interest in shares: 5,001

### Julie Louise Slater

Director (Resigned 24 October 2016)

Occupation: Executive Officer

Qualifications, experience and expertise: Julie lives at Corack East with her husband Andrew and three children, where she is a Director of a family farming enterprise, Slater Farming. She is also the Executive Officer of Community Leadership Loddon Murray Inc., Chair of Women's Health Loddon Mallee, Deputy Chair of the North Central Catchment Management Authority, and a Director of Community Leadership Australia and the Victorian Regional Community Leadership Programs Inc. She is also a Director of AJ & JL Slater Pty Ltd (trading as Slater Farming).

Special Responsibilities: Nil

Interest in shares: 5,000

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 Shane Francis O'Shea who was appointed to the position of secretary on 24 October 2016. The previous secretary was Harold Hugh Flett.

Shane is a partner in the local newspaper, he was the Chairman of the Donald & District **Community Bank**<sup>®</sup> Steering Committee, he is the past president of Donald Lions Club, he is a past president of the Donald Chamber of Commerce and Industry, member and past chairman of the Donald Cemetery Trust and has worked as a photographer/Journalist/Compositor with the "Buloke Times" for 43 years. He has also completed a four-year apprenticeship as a hand and machine compositor.



# Directors' report (continued)

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## Company Secretary (continued)

Harold has been a farmer for 50 years in Donald. He has been heavily involved in the local community throughout his life including membership of school council, CFA and UCA Church. He was a Councillor of the Buloke Shire for 9 years.

## Principal Activities

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

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

## Operating results

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

Year ended 30 June 2017 \$	Year ended 30 June 2016 \$
(37,032)	(58,181)

## 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

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

## Events since the end of the financial year

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

## Likely developments

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

## Environmental regulation

The company is not subject to any significant environmental regulation.

## Directors' benefits

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

# 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:

	Directors' Meetings	
	Eligible	Attended
Philip John Stuchbery	12	11
Angelique Tammy Donnellon	12	12
Shane Francis O'Shea	12	11
John Anthony McConville	12	8
Colin Thomas Gilmour	11	11
Claire Alexis Bibby	12	8
Dale Heath Griffiths	12	9
Leo John Tellefson (Appointed 24 October 2016)	9	7
James Dean Walters (Appointed 24 October 2016, Resigned 16 March 2017)	5	1
Harold Hugh Flett (Resigned 24 October 2016)	4	4
Julie Louise Slater (Resigned 24 October 2016)	4	2

## 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 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.

# Directors' report (continued)

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## **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 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.

## **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 11.

Signed in accordance with a resolution of the board of directors at Donald, Victoria on 15 September 2017.



**Philip John Stuchbery,  
Chairman**

# Auditor's independence declaration

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*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 Buloke Community Enterprises Limited**

As lead auditor for the audit of Buloke Community Enterprises Limited for the year ended 30 June 2017, 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: 15 September 2017

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 2017

	Notes	2017 \$	2016 \$
Revenue from ordinary activities	4	255,319	248,762
Employee benefits expense		(174,617)	(169,025)
Charitable donations, sponsorship, advertising and promotion		(14,852)	(21,914)
Occupancy and associated costs		(23,024)	(26,802)
Systems costs		(17,119)	(17,708)
Depreciation and amortisation expense	5	(22,884)	(27,313)
Finance costs	5	(2,274)	(562)
General administration expenses		(49,957)	(52,377)
<b>Loss before income tax credit</b>		<b>(49,408)</b>	<b>(66,939)</b>
Income tax credit	6	12,376	8,758
<b>Loss after income tax credit</b>		<b>(37,032)</b>	<b>(58,181)</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>(37,032)</b>	<b>(58,181)</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
Basic earnings per share	22	(4.78)	(7.51)

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Balance Sheet as at 30 June 2017

	Notes	2017 \$	2016 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	3,502	1,232
Trade and other receivables	8	27,117	26,787
<b>Total Current Assets</b>		<b>30,619</b>	<b>28,019</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	135,131	144,661
Intangible assets	10	92,467	38,668
Deferred tax asset	11	158,238	145,862
<b>Total Non-Current Assets</b>		<b>385,836</b>	<b>329,191</b>
<b>Total Assets</b>		<b>416,455</b>	<b>357,210</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	35,092	27,270
Borrowings	13	80,199	38,018
Provisions	14	8,676	7,316
<b>Total Current Liabilities</b>		<b>123,967</b>	<b>72,604</b>
<b>Non-Current Liabilities</b>			
Trade and other payables	12	44,321	-
Provisions	14	1,002	409
<b>Total Non-Current Liabilities</b>		<b>45,323</b>	<b>409</b>
<b>Total Liabilities</b>		<b>169,290</b>	<b>73,013</b>
<b>Net Assets</b>		<b>247,165</b>	<b>284,197</b>
<b>Equity</b>			
Issued capital	15	751,150	751,150
Accumulated losses	16	(503,985)	(466,953)
<b>Total Equity</b>		<b>247,165</b>	<b>284,197</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

### Statement of Changes in Equity for the year ended 30 June 2017

	Issued capital \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2015</b>	<b>751,150</b>	<b>(408,772)</b>	<b>342,378</b>
Total comprehensive income for the year	-	(58,181)	(58,181)
<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 2016</b>	<b>751,150</b>	<b>(466,953)</b>	<b>284,197</b>
<b>Balance at 1 July 2016</b>	<b>751,150</b>	<b>(466,953)</b>	<b>284,197</b>
Total comprehensive income for the year	-	(37,032)	(37,032)
<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>751,150</b>	<b>(503,985)</b>	<b>247,165</b>

The accompanying notes form part of these financial statements.



# Financial statements (continued)

## Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		280,811	269,645
Payments to suppliers and employees		(305,017)	(303,035)
Interest paid		(2,274)	(562)
<b>Net cash used in operating activities</b>	<b>17</b>	<b>(26,480)</b>	<b>(33,952)</b>
<b>Cash flows from investing activities</b>			
Payments for intangible assets		(13,431)	-
<b>Net cash used in investing activities</b>		<b>(13,431)</b>	<b>-</b>
<b>Net decrease in cash held</b>		<b>(39,911)</b>	<b>(33,952)</b>
Cash and cash equivalents at the beginning of the financial year		(36,786)	(2,834)
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<b>(76,697)</b>	<b>(36,786)</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2017

## 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 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 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 Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2016, and are therefore relevant for the current financial year.

None of these amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

There are also a number of accounting standards and interpretations issued by the Australian Accounting Standards Board (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 2016. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

Only AASB 16 Leases, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. This revised standard will require the branch lease to be capitalised.

#### 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 Donald, Victoria.

# 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 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.

#### Going concern

The net assets of the company as at 30 June 2017 were \$247,165 and the loss made for the year was \$37,032, bringing accumulated losses to \$503,985.

In addition:	\$
Total assets were	416,455
Total liabilities were	169,290
Operating cash flows were	(26,480)

There was a 36% decrease in the loss recorded for the financial year ended 30 June 2017 when compared to the prior year.

The company meets its day to day working capital requirements through an overdraft facility. The overdraft has an approved limit of \$120,000 and was drawn to \$79,952 as at 30 June 2017.

# Notes to the financial statements (continued)

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

### a) Basis of preparation (continued)

#### Going concern (continued)

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 5 to 10. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

The current economic environment is difficult and while revenue has increased the company has again reported an operating loss for the year. The directors consider that the outlook presents significant challenges in terms of banking business volume and pricing as well as for operating costs. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company will be required to seek an increase in its overdraft facility.

The company has held discussions with Bendigo and Adelaide Bank Limited about its future borrowing needs. It is likely that these discussions will not be completed for some time but no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms. The company has also obtained an undertaking of support from Bendigo and Adelaide Bank Limited that it will continue to support the company and its operations for the 2017/18 financial year. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

The directors have concluded that the combination of the circumstances above represents a material uncertainty that casts doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

### b) Revenue

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

#### Revenue calculation

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

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

# Notes to the financial statements (continued)

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

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

#### Core banking products

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

#### Margin

Margin is arrived at through the following calculation:

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

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.

#### 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.

# Notes to the financial statements (continued)

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

### b) Revenue (continued)

#### Ability to change financial return

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 refundable).

#### Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

# Notes to the financial statements (continued)

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

### **c) Income tax (continued)**

#### Deferred tax (continued)

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 company 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 excess.

### **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.

### **g) Property, plant and equipment**

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

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

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

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



# Notes to the financial statements (continued)

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

### **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.

#### 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**

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.

# Notes to the financial statements (continued)

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

### **l) Leases (continued)**

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) Contributed equity**

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

### **o) Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

### **p) Goods and Services Tax**

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

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

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

## 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.

# Notes to the financial statements (continued)

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## Note 2. Financial risk management (continued)

### (iii) Credit risk

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

### (iv) Liquidity risk

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

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

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

### (vi) Capital management

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

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

The distribution limit is the greater of:

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2017 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.

# Notes to the financial statements (continued)

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## Note 3. Critical accounting estimates and judgements (continued)

### Taxation

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

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

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

### 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 consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

# Notes to the financial statements (continued)

## Note 3. Critical accounting estimates and judgements (continued)

### Impairment of assets (continued)

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

	2017 \$	2016 \$
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## Note 4. Revenue from ordinary activities

### Operating activities:

- gross margin	141,097	119,577
- services commissions	57,242	79,141
- fee income	14,406	13,375
- market development fund	40,000	33,750
<b>Total revenue from operating activities</b>	<b>252,745</b>	<b>245,843</b>

### Non-operating activities:

<b>- other revenue</b>	<b>2,574</b>	<b>2,919</b>
<b>Total revenues from ordinary activities</b>	<b>255,319</b>	<b>248,762</b>

## Note 5. Expenses

### Depreciation of non-current assets:

- plant and equipment	1,461	1,511
- leasehold improvements	8,069	8,202

### Amortisation of non-current assets:

- franchise agreement	1,892	1,600
- franchise renewal fee	7,462	-
- establishment fee	4,000	16,000
	<b>22,884</b>	<b>27,313</b>

### Finance costs:

<b>- interest paid</b>	<b>2,274</b>	<b>562</b>
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## Notes to the financial statements (continued)

	2017 \$	2016 \$
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### Note 6. Income tax credit

The components of tax credit comprise:

- Future income tax benefit attributable to losses	(12,306)	(15,100)
- Movement in deferred tax	(70)	3,591
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	5,304
- Under/(Over) provision of tax in the prior period	-	(2,553)
	<b>(12,376)</b>	<b>(8,758)</b>

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

Operating loss	(49,408)	(66,939)
Prima facie tax on loss from ordinary activities at 27.5% (2016: 28.5%)	(13,586)	(19,078)
Add tax effect of:		
- non-deductible expenses	1,210	5,016
- timing difference expenses	70	(1,038)
	<b>(12,306)</b>	<b>(15,100)</b>
Movement in deferred tax	(70)	3,591
Adjustment to deferred tax to reflect change of tax rate in future periods	-	5,304
Under/(Over) provision of income tax in the prior year	-	(2,553)
	<b>(12,376)</b>	<b>(8,758)</b>

### Note 7. Cash and cash equivalents

Cash at bank and on hand	3,502	1,232
	<b>3,502</b>	<b>1,232</b>

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

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

Cash at bank and on hand	3,502	1,232
Bank overdraft	(80,199)	(38,018)
	<b>(76,697)</b>	<b>(36,786)</b>

### Note 8. Trade and other receivables

Trade receivables	21,373	21,715
Prepayments	5,744	5,072
	<b>27,117</b>	<b>26,787</b>

## Notes to the financial statements (continued)

	2017 \$	2016 \$
<b>Note 9. Property, plant and equipment</b>		
Leasehold improvements		
At cost	174,799	174,799
Less accumulated depreciation	(54,079)	(46,010)
	<b>120,720</b>	<b>128,789</b>
Plant and equipment		
At cost	46,878	46,878
Less accumulated depreciation	(32,467)	(31,006)
	<b>14,411</b>	<b>15,872</b>
<b>Total written down amount</b>	<b>135,131</b>	<b>144,661</b>
<b>Movements in carrying amounts:</b>		
Leasehold improvements		
Carrying amount at beginning	128,789	136,991
Additions	-	-
Disposals	-	-
Less: depreciation expense	(8,069)	(8,202)
<b>Carrying amount at end</b>	<b>120,720</b>	<b>128,789</b>
Plant and equipment		
Carrying amount at beginning	15,872	17,383
Additions	-	-
Disposals	-	-
Less: depreciation expense	(1,461)	(1,511)
<b>Carrying amount at end</b>	<b>14,411</b>	<b>15,872</b>
<b>Total written down amount</b>	<b>135,131</b>	<b>144,661</b>

## Note 10. Intangible assets

Franchise fee		
At cost	21,192	10,000
Less: accumulated amortisation	(11,492)	(9,600)
	<b>9,700</b>	<b>400</b>
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(96,000)
	-	<b>4,000</b>



## Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 10. Intangible assets (continued)		
Renewal processing fee		
At cost	55,961	-
Less: accumulated amortisation	(7,462)	-
	<b>48,499</b>	<b>-</b>
Goodwill on purchase of agency		
<b>At cost</b>	<b>34,268</b>	<b>34,268</b>
<b>Total written down amount</b>	<b>92,467</b>	<b>38,668</b>

## Note 11. Tax

### Non-Current:

Deferred tax assets		
- accruals	770	715
- employee provisions	2,662	2,124
- tax losses carried forward	159,271	146,965
	<b>162,703</b>	<b>149,804</b>
Deferred tax liability		
- property, plant and equipment	4,465	3,942
	<b>4,465</b>	<b>3,942</b>
<b>Net deferred tax asset</b>	<b>158,238</b>	<b>145,862</b>
<b>Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income</b>	<b>(12,376)</b>	<b>(8,758)</b>

## Note 12. Trade and other payables

### Current:

Trade creditors	2,568	5,004
Other creditors and accruals	32,524	22,266
	<b>35,092</b>	<b>27,270</b>

### Non-Current:

Other creditors and accruals	44,321	-
	<b>44,321</b>	<b>-</b>

## Notes to the financial statements (continued)

	2017 \$	2016 \$
<b>Note 13. Borrowings</b>		
<b>Current:</b>		
Bank overdrafts	80,199	38,018
	<b>80,199</b>	<b>38,018</b>

Buloke Community Enterprises Limited has an approved overdraft limit of \$120,000.

Interest is payable monthly and was recognised at an average rate of 3.70% for the year ended 30 June 2017 (2016: 2.80%).

## Note 14. Provisions

<b>Current:</b>		
<b>Provision for annual leave</b>	<b>8,676</b>	<b>7,316</b>
<b>Non-Current:</b>		
<b>Provision for long service leave</b>	<b>1,002</b>	<b>409</b>

## Note 15. Contributed equity

774,411 ordinary shares fully paid (2016: 774,411)	774,411	774,411
Less: equity raising expenses	(23,261)	(23,261)
	<b>751,150</b>	<b>751,150</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 15. Contributed equity (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 391. As at the date of this report, the company had 406 shareholders.

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

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

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

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

	2017 \$	2016 \$
<b>Note 16. Accumulated losses</b>		
Balance at the beginning of the financial year	(466,953)	(408,772)
Net loss from ordinary activities after income tax	(37,032)	(58,181)
<b>Balance at the end of the financial year</b>	<b>(503,985)</b>	<b>(466,953)</b>

# Notes to the financial statements (continued)

	2017 \$	2016 \$
<b>Note 17. Statement of cash flows</b>		
Reconciliation of loss from ordinary activities after tax to net cash used in operating activities		
Loss from ordinary activities after income tax	(37,032)	(58,181)
Non cash items:		
- depreciation	9,530	9,713
- amortisation	13,354	17,600
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(330)	(3,628)
- (increase)/decrease in other assets	(12,376)	(8,758)
- increase/(decrease) in payables	(1,579)	7,719
- increase/(decrease) in provisions	1,953	1,583
<b>Net cash flows used in operating activities</b>	<b>(26,480)</b>	<b>(33,952)</b>

## Note 18. 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	8,500	2,833
- between 12 months and 5 years	28,333	-
- greater than 5 years	-	-
	<b>36,833</b>	<b>2,833</b>

The branch premises lease is a non-cancellable lease with a five-year term commencing 13 October 2016, with an option to renew for one further term of five years.

## Note 19. Auditor's remuneration

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

- audit and review services	4,200	4,100
- non audit services	2,400	2,300
	<b>6,600</b>	<b>6,400</b>

# 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:

Philip John Stuchbery  
Angelique Tammy Donnellon  
Shane Francis O'Shea  
John Anthony McConville  
Colin Thomas Gilmour  
Claire Alexis Bibby  
Dale Heath Griffiths  
Leo John Tellefson (Appointed 24 October 2016)  
James Dean Walters (Appointed 24 October 2016, Resigned 16 March 2017)  
Harold Hugh Flett (Resigned 24 October 2016)  
Julie Louise Slater (Resigned 24 October 2016)

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

	2017 \$	2016 \$
Transactions with related parties:		
Shane O'Shea is a partner at The Buloke Times. Buloke Community Enterprises Limited used the services of The Buloke Times during the financial year for advertising and printing. The total benefit The Buloke Times received for the financial year was:	2,949	1,919

	2017	2016
<b>Directors' Shareholdings</b>		
Philip John Stuchbery	1,500	1,500
Angelique Tammy Donnellon	5,001	5,001
Shane Francis O'Shea	4,001	4,001
John Anthony McConville	1,001	1,001
Colin Thomas Gilmour	3,001	3,001
Claire Alexis Bibby	-	-
Dale Heath Griffiths	-	-
Leo John Tellefson (Appointed 24 October 2016)	5,000	5,000
James Dean Walters (Appointed 24 October 2016, Resigned 16 March 2017)	-	-
Harold Hugh Flett (Resigned 24 October 2016)	5,001	5,001
Julie Louise Slater (Resigned 24 October 2016)	5,000	5,000

There was no movement in directors' shareholdings during the year.

# Notes to the financial statements (continued)

## Note 21. Key management personnel disclosures

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

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

	2017 \$	2016 \$
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## Note 22. Earnings per share

(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(37,032)	(58,181)
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	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	774,411	774,411

## 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 Donald and surrounding districts, Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

## Note 26. Registered office/Principal place of business

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

### Registered Office

61 Woods Street  
Donald VIC 3480

### Principal Place of Business

61 Woods Street  
Donald VIC 3480

# 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					
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 %	2016 %
Financial assets												
Cash and cash equivalents	3,502	1,232	-	-	-	-	-	-	-	-	Nil	Nil
Receivables	-	-	-	-	-	-	-	-	21,373	21,715	N/A	N/A
Financial liabilities												
Interest bearing liabilities	80,199	38,018	-	-	-	-	-	-	-	-	3.70	2.80
Payables	-	-	-	-	-	-	-	-	2,568	5,004	N/A	N/A

### Net Fair Values

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

### Credit Risk

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

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

### Interest Rate Risk

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

### Sensitivity Analysis

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



# Notes to the financial statements (continued)

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## Note 27. Financial instruments (continued)

### Sensitivity Analysis

As at 30 June 2017, 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>2017</b> <b>\$</b>	<b>2016</b> <b>\$</b>
Change in profit/(loss)		
Increase in interest rate by 1%	(767)	(368)
Decrease in interest rate by 1%	767	368
Change in equity		
Increase in interest rate by 1%	(767)	(368)
Decrease in interest rate by 1%	767	368

# Directors' declaration

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In accordance with a resolution of the directors of Buloke 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 2017 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.



**Philip John Stuchbery,**  
**Chairman**

Signed on the 15th of September 2017.

# Independent audit report

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*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 Buloke Community Enterprises Limited

### Report on the audit of the financial statements

#### Our opinion

In our opinion, the financial report of Buloke 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 2017 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards.

#### What we have audited

Buloke 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.

#### Material uncertainty related to going concern

Our opinion is not modified for this matter. We draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss after tax of \$37,032 during the year ended 30 June 2017, further reducing the company's net assets to \$247,165. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

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# Independent audit report (continued)

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## 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.

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: 15 September 2017



**David Hutchings**  
Lead Auditor

Donald & District **Community Bank®** Branch  
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Phone: (03) 5497 1194 Fax: (03) 5497 2060

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61-63 Woods Street, Donald VIC 3480  
ABN: 29 147 298 039  
[www.bendigobank.com.au/donald](http://www.bendigobank.com.au/donald)

Share Registry:  
A M Bird & Associates  
90 Woods Street, Donald VIC 3480  
Phone: (03) 5497 1749 Fax: (03) 5497 1812

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