

Bunyip & District Community Enterprises Limited

ABN 42 124 125 515

2018 Annual Report

Bunyip & District **Community Bank®** Branch



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Chairman's report

For year ending 30 June 2018

This year our branch continued to contribute strongly to our community.

Our investment in the community through sponsorships, charitable donations, advertising and promotions was \$96,019 compared to the previous year's amount of \$69,074.

We again declared a 3% dividend to our shareholders with a cost of \$20,250.

As you are aware these investments in the community and dividend payments are paid from the profits made throughout the year.

The last twelve months were particularly challenging as we were effectively without a Branch Manager for the full twelve months. Our previous Manager, Sue Dubbeld, was on leave until late October 2017 at which time she resigned to pursue other options. We thank Sue for her years of service and contribution to our branch and the community.

It took some time to fill the position left by Sue but are pleased to announce that a new Manager, Nicole Morris, was appointed in June 2018 to commence in July 2018. Nicole comes to us with a wealth of knowledge and banking experience and we look forward to working with her to grow our business.

The branch team worked very well, with assistance from Bendigo and Adelaide Bank Limited Regional Support, Mobile Lenders, staff from other branches and indeed Managers from other branches. We are very grateful for the efforts of our staff and congratulate them on continuing to provide excellent service to our customers throughout the year.

We are pleased to say that, in spite of the lack of a Manager, we showed an increased profit for the year with obvious savings in employment costs, and savings in occupancy costs and general administration expenses.

Helen Davey, Rebecca Skilton and Lindsay McNaught resigned as Directors during the year. We thank them for their contribution with particular thanks to Lindsay McNaught who was a valued member of the Board for nine years.

We held a successful information night for people wishing to become Directors and, from this initiative, are now in the process of enrolling four new Directors. They are Margaret Bogart, Neil Matthews, Shae Ford and Leanne James. They each bring further expertise to our Board and represent the areas of Garfield, Maryknoll, Bunyip and Nar Nar Goon respectively.

As we move into the new financial year I would encourage all shareholders to support your community company through banking with our **Community Bank**[®] branch and to invite other members of the community to do so.



Margaret Bardon,
Chairman

Branch report

For year ending 30 June 2018

Our branch

Our **Community Bank**[®] branch celebrated its 10th birthday in September 2017 with a celebration held at the Bunyip Scout Hall. The celebration was an opportunity for shareholders to reflect on the contribution their investment has made to our local community. The event was enjoyed by those that were able to attend.

Community contributions

Across the last 12 months the **Community Bank**[®] branch has continued to support our local community with grants awarded to local community groups and sponsorships of community organisations. The support that we give back to the community could not exist without our customers choosing to support our community vision with their banking business.

Our business

The year saw a decrease in our overall business holdings highlighting the importance of servicing the customers that are already choosing to bank with us but also to look for new business opportunities. To our shareholders who bank with us, we thank you for your support. To those of you who don't, please consider supporting us with your banking so we can continue to build our business and hence our community contributions.

Highlights of the year

This year saw us again send two potential future leaders to the Magic Moments Youth Leadership & Business Summit in Sydney. Mary Kemmink (from Tynong) and Riley Pullin (from Bunyip) were fortunate enough to participate in the program this year and were exposed to the opportunity to learn and grow on a personal level to become the best version of themselves. We also continued to support Alanah Murphy (from Bunyip) through our Scholarship Program assisting financially in her Nursing & Midwifery degree at Monash University.

Our staff

During the year our long-time Branch Manager Sue Dubbeld left the team to explore other pursuits. Thank you to Sue for the years of service and leadership you have given to our **Community Bank**[®] branch. The Manager's position was vacant for much of the year however the team pulled together to ensure that our customers continued to receive the same level of exceptional service as they have always received. We were pleased to note that our new Branch Manager, Nicole Morris, commenced with us in mid-July 2018.

Our future

The results for the year have highlighted the need to focus on building our business. If there is an element of your finances that you don't currently hold with the branch, please consider us as an option. We have the full range of products that all financial institutions offer, and we would love to discuss this with you. If you know someone locally that doesn't currently hold their banking with us or is looking to switch banks, consider telling them about us. According to Roy Morgan Research, Bendigo Bank is the third most trusted brand in Australia and we would love to assist all our local community members with any financial needs.

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:

Margaret Ann Bardon

Chairperson

Occupation: Retired

Qualifications, experience and expertise: Qualified Primary School Teacher, Adult Training Manager for two years, Business owner and operator for 14 years, Director Bardon Hotel Group, Board of Hillview Aged Care, responsible for administration/bookkeeping, payroll of former business.

Special responsibilities: Chair, Member of Finance & Audit Committee, Human resources Committee, Marketing Committee

Interest in shares: 2,001

Barry Kenneth Crees

Vice Chairman

Occupation: Retired part time beef farmer

Qualifications, experience and expertise: Retired as at November 2015 after 36 years in Australian and New Zealand Automotive Industry Aftermarket. In summary, started from a base of Industrial Engineering, working thru key positions in Safety Engagement and Deployment, Audit Compliance, Supply Chain, Warehousing, Logistics, Packaging, Industrial Relations, QA, IT Projects (Main frame, WMS & SAP), Prep and Execution of Operating and Logistics Budgets and numerous International Projects. For over a decade successfully lead and managed Aftermarket Operations and Logistics to 'best in class' on Global benchmarks. Now enjoying working on community projects such as Director on Board of Local **Community Bank**[®] branch, numerous projects and hobbies and 'life on the land' as a successful Gippsland Beef farmer.

Special responsibilities: Marketing Committee, Finance and Audit Committee, Human Resources Committee.

Interest in shares: Nil

James Joseph Fitzpatrick

Treasurer, Secretary

Occupation: Retired

Qualifications, experience and expertise: Bachelor of Science, Over 30 years experience managing and advising the operators of medium and large employer sponsored superannuation funds.

Special responsibilities: Secretary, Treasurer.

Interest in shares: 5,001

Alan Ernest Cole OAM

Director

Occupation: Retired Public Servant

Qualifications, experience and expertise: 30 years Public service and 20 years as Community Office Bearer. Current Director/Secretary of Agpath P/L. Secretary of Board of Hillview Aged Care.

Special responsibilities: Property Management Committee.

Interest in shares: 2,501

Directors' report (continued)

Directors (continued)

Christine Anne Kelly

Director

Occupation: Self Employed

Qualifications, experience and expertise: Bachelor of Business (acc) Monash, over 25 years experience in Management and Cost Accounting, eight years Alpaca Husbandry, President and Treasurer of Bunyip Hall, President of 3815 Inc., Vice President of Victorian Eastern Region of Australia Alpaca Association, Member of Bunyip Singers, Secretary and Treasurer of Bunyip and District Carols by Candlelight, Committee Member of Bunyip & Districts Australia Day Committee.

Special responsibilities: Finance & Audit Committee, Human Resources Committee.

Interest in shares: 8,001

Anthony Bruce Ross

Director

Occupation: Advisor

Qualifications, experience and expertise: Ausaid advisor, Monash University Manager, school principal, schools inspector, educational consultant Masters in Education, Member of three Boards. President of the Empowerment House boy refuge, Philippines. Pakenham Learning and Living State Schools Relief.

Special responsibilities: Marketing Committee, Human Resources Committee.

Interest in shares: 2,000

Vanessa Clare Kent

Director (Appointed 30 October 2017)

Occupation: Customer Information Officer (Baw Baw Shire Council)

Qualifications, experience and expertise: Vanessa Has over 30 years' experience in the financial services industry, primarily in the insurance claims and loss adjusting arena where she held a variety of senior technical, operational business development, managerial and board positions in both the UK and Australia. A career change in 2015 has enabled Vanessa to become actively involved in the local community and is Secretary of Bunyip Tennis Club and the WGTA Ladies Tennis Competition.

Special responsibilities: Marketing Committee

Interest in shares: Nil

Rebecca Jaqueline Skilton

Director (Resigned 12 December 2017)

Occupation: Journalist

Qualifications, experience and expertise: Currently employed as a journalist for Stars News Group. She works on a number of the organisation's magazines and newspapers. Her role primarily involves working with businesses to advertise their businesses through editorial content. After graduation from Marist-Sion College, she completed a Bachelor of Media and Communications and majored in Media at RMIT University. Whilst at university she completed a short course in creative fiction. In 2017 she started a Masters in Journalism at RMIT. Prior to working with Star News Group she had experience within the AFL retail sector, Fox Footy and Southern Cross Austereo. Away from employment and education, she is a dressage rider and competitor and enjoyed competing under the equestrian Victoria and Australia banner. She is also involved with a number of community groups and enjoys participating in personal projects.

Special responsibilities: Marketing Committee.

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Helen Louise Davey

Director (Resigned 16 November 2017)

Occupation: Self Employed Bus Operator

Qualifications, experience and expertise: Qualified gardener, nursery hand and bus driver. Established local Safety house program, committee member of Bunyip Toy Library, Bunyip Kindergarten, Bunyip Playgroup, 1st Bunyip Scout group, Bunyip Primary School P&F, Bunyip and District Historical society, Garfield Community Association. Cub leader at 1st Ferntree Gully Scout group, Cub leader and Group leader at 1st Bunyip Scout Group. Volunteer staff at 4C's Op Shop Garfield. Established and managed Garfield Community Shop. Member of Garfield Angling Club.

Special responsibilities: Nil

Interest in shares: 1,000

Lindsay Scott McNaught

Director (Resigned 16 November 2017)

Occupation: Retired

Qualifications, experience and expertise: In a partnership with my wife, have started and managed a number of Businesses over the last 40 years, including Director of Yanaggi Ecological Services.

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 James Fitzpatrick. James was appointed to the position of secretary on 31 October 2012. James' qualifications and experience include a Bachelor of Science and over 30 years experience working in the financial services industry.

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 profit of the company for the financial year after provision for income tax was:

Year ended 30 June 2018	Year ended 30 June 2017
\$	\$
31,084	20,053

Dividends

	Year ended 30 June 2018	
	Cents	\$
Dividends paid in the year	3	20,250

Directors' report (continued)

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended	
			Audit	
	A	B	A	B
Margaret Ann Bardon	11	11	3	3
Barry Kenneth Crees	11	11	3	3
James Joseph Fitzpatrick	11	11	3	3
Alan Ernest Cole OAM	11	10	-	-
Christine Anne Kelly	11	9	3	1
Anthony Bruce Ross	8	5	-	-
Vanessa Clare Kent (Appointed 30 October 2017)	7	4	-	-
Rebecca Jacqueline Skilton (Resigned 12 December 2017)	5	1	-	-
Helen Louise Davey (Resigned 16 November 2017)	4	1	-	-
Lindsay Scott McNaught (Resigned 16 November 2017)	4	2	-	-

A - eligible to attend B - number attended

Directors' report (continued)

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*.

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 9.

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



Margaret Ann Bardon,
Chairman

Auditor's independence declaration



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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 26 September 2018

David Hutchings
Lead Auditor

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Revenue from ordinary activities	4	640,667	647,017
Employee benefits expense		(311,324)	(346,700)
Charitable donations, sponsorship, advertising and promotion		(96,019)	(69,074)
Occupancy and associated costs		(50,713)	(53,188)
Systems costs		(21,969)	(21,573)
Depreciation and amortisation expense	5	(23,661)	(25,690)
General administration expenses		(94,107)	(102,717)
Profit before income tax expense		42,874	28,075
Income tax expense	6	(11,790)	(8,022)
Profit after income tax expense		31,084	20,053
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		31,084	20,053
Earnings per share		¢	¢
Basic earnings per share	21	4.60	2.97

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	255,792	247,727
Trade and other receivables	8	37,194	22,972
Total current assets		292,986	270,699
Non-current assets			
Property, plant and equipment	9	178,085	183,207
Intangible assets	10	52,888	-
Deferred tax asset	11	583	340
Total non-current assets		231,556	183,547
Total assets		524,542	454,246
LIABILITIES			
Current liabilities			
Trade and other payables	12	34,768	20,304
Current tax liabilities	11	3,941	5,298
Total current liabilities		38,709	25,602
Non-current liabilities			
Trade and other payables	12	46,355	-
Total non-current liabilities		46,355	-
Total liabilities		85,064	25,602
Net assets		439,478	428,644
EQUITY			
Issued capital	13	656,044	656,044
Accumulated losses	14	(216,566)	(227,400)
Total equity		439,478	428,644

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Notes	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016		656,044	(227,203)	428,841
Total comprehensive income for the year		-	20,053	20,053
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	19	-	(20,250)	(20,250)
Balance at 30 June 2017		656,044	(227,400)	428,644
Balance at 1 July 2017		656,044	(227,400)	428,644
Total comprehensive income for the year		-	31,084	31,084
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	19	-	(20,250)	(20,250)
Balance at 30 June 2018		656,044	(216,566)	439,478

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		689,085	716,528
Payments to suppliers and employees		(631,554)	(657,360)
Interest received		3,538	4,047
Income taxes refunded		(13,390)	1,144
Net cash provided by operating activities	15	47,679	64,359
Cash flows from investing activities			
Payments for property, plant and equipment		(5,317)	-
Payments for intangible assets		(14,047)	-
Net cash used in investing activities		(19,364)	-
Cash flows from financing activities			
Dividends paid	19	(20,250)	(20,250)
Net cash used in financing activities		(20,250)	(20,250)
Net increase in cash held		8,065	44,109
Cash and cash equivalents at the beginning of the financial year		247,727	203,618
Cash and cash equivalents at the end of the financial year	7(a)	255,792	247,727

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 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.

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)

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.

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating lease of its branch. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating lease amount to \$112,700, on an undiscounted basis (see Note 16).

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 Bunyip, Victoria.

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

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

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

b) Revenue

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

Revenue calculation

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

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

Commission

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Fee income

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

Discretionary financial contributions

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

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

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

Ability to change financial return

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

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

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

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

Monitoring and changing financial return

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

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

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).

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 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.

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 3 - 5 years

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

Financial assets are 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.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Classification and subsequent measurement

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

Financial liabilities include borrowings, trade and other payables and non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

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

l) Leases

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

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

n) Issued capital

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

o) Earnings per share

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

The distribution limit is the greater of:

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

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.

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

	2018 \$	2017 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- gross margin	507,630	398,975
- services commissions	41,721	144,918
- fee income	53,560	63,604
- market development fund	35,000	35,000
Total revenue from operating activities	637,911	642,497
Non-operating activities:		
- interest received	2,756	4,520
Total revenue from non-operating activities	2,756	4,520
Total revenues from ordinary activities	640,667	647,017

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 5. Expenses		
Depreciation of non-current assets:		
- plant and equipment	228	38
- leasehold improvements	5,415	5,415
- motor vehicle	4,796	6,396
Amortisation of non-current assets:		
- franchise fee and franchise renewal fee	2,203	13,841
- renewal processing fee	11,019	-
	23,661	25,690
Bad debts	385	138

Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	12,033	7,783
- Movement in deferred tax	(243)	(62)
- Under/(Over) provision of tax in the prior period	-	301
	11,790	8,022

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

Operating profit	42,874	28,075
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	11,790	7,721
Add tax effect of:		
- timing difference expenses	243	62
	12,033	7,783
Movement in deferred tax	(243)	(62)
Under provision of income tax in the prior year	-	301
	11,790	8,022

Note 7. Cash and cash equivalents

Cash at bank and on hand	96,524	91,906
Term deposits	159,268	155,821
	255,792	247,727

Notes to the financial statements (continued)

	2018 \$	2017 \$
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Note 7. Cash and cash equivalents (continued)

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	96,524	91,906
Term deposits	159,268	155,821
	255,792	247,727

Note 8. Trade and other receivables

Trade receivables	31,431	15,745
Prepayments	5,082	4,622
Other receivables and accruals	681	2,605
	37,194	22,972

Note 9. Property, plant and equipment

Leasehold improvements

At cost	216,603	216,603
Less accumulated depreciation	(58,213)	(52,798)
	158,390	163,805

Plant and equipment

At cost	8,144	2,827
Less accumulated depreciation	(2,841)	(2,613)
	5,303	214

Motor vehicles

At cost	35,172	35,172
Less accumulated depreciation	(20,780)	(15,984)
	14,392	19,188

Total written down amount	178,085	183,207
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Movements in carrying amounts:

Leasehold improvements

Carrying amount at beginning	163,805	169,220
Less: depreciation expense	(5,415)	(5,415)
Carrying amount at end	158,390	163,805

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 9. Property, plant and equipment (continued)		
Plant and equipment		
Carrying amount at beginning	214	252
Less: depreciation expense	(228)	(38)
Carrying amount at end	5,303	214
Motor vehicles		
Carrying amount at beginning	19,188	25,584
Less: depreciation expense	(4,796)	(6,396)
Carrying amount at end	14,392	19,188
Total written down amount	178,085	183,207

Note 10. Intangible assets

Franchise fee and franchise renewal fee		
At cost	90,239	79,221
Less: accumulated amortisation	(81,425)	(79,221)
Total written down amount	8,814	-
Renewal processing fee		
At cost	55,093	-
Less: accumulated amortisation	(11,019)	-
	44,074	-
Total written down amount	52,888	-

Note 11. Tax

Current:

Income tax payable	3,941	5,298
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Non-Current:

Deferred tax assets		
- accruals	770	743
	770	743
Deferred tax liability		
- accruals	187	403
	187	403
Net deferred tax asset	583	340
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(243)	311

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 12. Trade and other payables		
Current:		
Trade creditors	4,118	7,590
Other creditors and accruals	30,650	12,714
	34,768	20,304
Non-Current:		
Trade creditors	46,355	-

Note 13. Issued capital

675,009 ordinary shares fully paid (2017: 675,009)	675,009	675,009
Less: equity raising expenses	(18,965)	(18,965)
	656,044	656,044

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*.

Notes to the financial statements (continued)

Note 13. Issued capital (continued)

Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if they control or own 10% or more of the shares in the company (the "10% limit").

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

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

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

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

	2018 \$	2017 \$
Note 14. Accumulated losses		
Balance at the beginning of the financial year	(227,400)	(227,203)
Net profit from ordinary activities after income tax	31,084	20,053
Dividends provided for or paid	(20,250)	(20,250)
Balance at the end of the financial year	(216,566)	(227,400)

Note 15. Statement of cash flows

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

Profit from ordinary activities after income tax	31,084	20,053
Non cash items:		
- depreciation	10,439	11,849
- amortisation	13,222	13,841

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 15. Statement of cash flows (continued)		
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(14,222)	5,425
- (increase)/decrease in other assets	(243)	3,869
- increase/(decrease) in payables	8,756	4,024
- increase/(decrease) in current tax liabilities	(1,357)	5,298
Net cash flows provided by operating activities	47,679	64,359

Note 16. 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	27,600	32,868
- between 12 months and 5 years	85,100	121,440
- greater than 5 years	-	2,530
	112,700	156,838

The lease on the branch premises is a non-cancellable lease with a five-year term, with rent payable monthly in advance. Second lease option for a term of five years was exercised on 1 July 2017, ending on 30 June 2022.

Note 17. Auditor's remuneration

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

- audit and review services	4,400	4,200
- non audit services	1,400	1,375
	5,800	5,575

Notes to the financial statements (continued)

Note 18. Director and related party disclosures

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

Margaret Ann Bardon
Barry Kenneth Crees
James Joseph Fitzpatrick
Alan Ernest Cole OAM
Christine Anne Kelly
Lindsay Scott McNaught
Anthony Bruce Ross
Vanessa Clare Kent (Appointed 30 October 2017)
Rebecca Jacqueline Skilton (Resigned 12 December 2017)
Helen Louise Davey (Resigned 16 November 2017)
Lindsay Scott McNaught (Resigned 16 November 2017)

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

Directors' Shareholdings	2018	2017
Margaret Ann Bardon	2,001	2,001
Barry Kenneth Crees	-	-
James Joseph Fitzpatrick	5,001	5,001
Alan Ernest Cole OAM	2,501	2,501
Christine Anne Kelly	8,001	8,001
Lindsay Scott McNaught	5,000	5,000
Anthony Bruce Ross	2,000	2,000
Vanessa Clare Kent (Appointed 30 October 2017)	-	-
Rebecca Jacqueline Skilton (Resigned 12 December 2017)	-	-
Helen Louise Davey (Resigned 16 November 2017)	1,000	1,000
Lindsay Scott McNaught (Resigned 16 November 2017)	5,000	5,000

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

	2018	2017
	\$	\$

Note 19. Dividends provided for or paid

a. Dividends paid during the year

Current year dividend		
Unfranked dividend (2017: 50%) - 3 cents (2017: 3 cents) per share	20,250	20,250
The tax rate at which dividends have been franked is nil (2017: 27.5%).		

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 19. Dividends provided for or paid (continued)		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	13,312	1,945
- franking credits that will arise from payment of income tax as at the end of the financial year	5,964	5,298
Franking credits available for future financial reporting periods:	19,276	7,243
Net franking credits available	19,276	7,243

Note 20. Key management personnel disclosures

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

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

	2018 \$	2017 \$
Note 21. Earnings per share		
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	31,084	20,053

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	675,009	675,009

Note 22. 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 23. 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 24. Segment reporting

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

Notes to the financial statements (continued)

Note 25. 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

5 High Street
Bunyip VIC 3815

Principal Place of Business

18 Main Street
Bunyip VIC 3815

Note 26. 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	96,524	91,906	159,268	155,821	-	-	-	-	-	-	1.00	1.84
Receivables	-	-	-	-	-	-	-	-	31,431	15,745	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	4,118	7,590	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Notes to the financial statements (continued)

Note 26. Financial instruments (continued)

Sensitivity Analysis

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

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

	2018	2017
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	2,558	2,477
Decrease in interest rate by 1%	(2,558)	(2,477)
Change in equity		
Increase in interest rate by 1%	2,558	2,477
Decrease in interest rate by 1%	(2,558)	(2,477)

Directors' declaration

In accordance with a resolution of the directors of Bunyip & District Community Enterprises Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.



Margaret Ann Bardon,
Chairman

Signed on the 26th of September 2018.

Independent audit report



Independent auditor's report to the members of Bunyip & District Community Enterprises Limited

Report on the audit of the financial statements

Our opinion

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

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

What we have audited

Bunyip & District Community Enterprises Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

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: 26 September 2018



David Hutchings
Lead Auditor

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