

# Corangamite Financial Services Limited

ABN 80 105 703 099

## 2018 Annual Report

Anglesea & District **Community Bank®** Branch

Lorne **Community Bank®** Branch

Winchelsea & District **Community Bank®** Branch



# Contents

---

<b>Chairman's report</b>	<b>2</b>
<b>Senior Manager's report</b>	<b>4</b>
<b>Community contributions</b>	<b>6</b>
<b>Bendigo and Adelaide Bank report</b>	<b>8</b>
<b>Directors' report</b>	<b>9</b>
<b>Auditor's independence declaration</b>	<b>14</b>
<b>Financial statements</b>	<b>15</b>
<b>Notes to the financial statements</b>	<b>19</b>
<b>Directors' declaration</b>	<b>44</b>
<b>Independent audit report</b>	<b>45</b>

# Chairman's report

---

For year ending 30 June 2018

It is my pleasure to present the Chairman's report for 2018.

In what has been a challenging and volatile year in the banking industry, it is pleasing that our **Community Bank®** group has been able to produce strong business growth, enabling the company to achieve a significant profitable result.

In a year that has seen the introduction of a Royal Commission into the banking industry and already creating stricter, regulatory procedures for our staff to comply with, it is once again a strong indication of our **Community Bank®** branches management team and the staff's ability to adapt quickly and effectively to these new and changing rules, thus enabling the company to reach successful outcomes for the business.

On behalf of the Board, shareholders and customers I offer our thanks to the branch staff led by our extremely hardworking and passionate Senior Branch Manager – Jeremy Morris and assisted by our Branch Manager – Matilda Trounson, the Customer Relationship Managers – Dean Hackwill and Julie Dunkley and the Business Development Manager – Rob Cameron, for their continued efforts in growing and strengthening the business.

We are extremely fortunate that our staff of 15, convey a passion and understanding of the **Community Bank®** model and the positive effect it has on the community that they work in.

An important achievement for the year was the opening of the Lorne **Community Bank®** Branch, following a staged process from agency to business office, to that of a fully badged **Community Bank®** branch.

We sincerely thank Dee Stewart and Lester Barclay for their involvement in the agency and our Lorne strategy.

It is important to note that the Lorne **Community Bank®** Branch is different to the normal concept, of being created by local capital raised to finance the establishment of the bank. The business which is in leased premises on Mountjoy Parade, has been totally developed and financed by Corangamite Financial Services Limited. The development consists of a bank branch, two rentable business offices (with both offices now let) and a conference/meeting area.

Since early days, we have had strong customer support and have been able to return significant Community Investment grants to the Lorne community of approximately \$145,000. We appreciate the support from both local Lorne community groups and individuals and with their assistance, we aim to grow the business to enable us to continue to re-invest into the town.

We thank our partner Bendigo and Adelaide Bank Limited, led by State Manager Tim Rodda in assisting us to create the model of the Lorne **Community Bank®** Branch.

I would like to personally thank my fellow Board members for their dedication, support and most importantly their time and community involvement, to assist our staff in continuing to build the success of the business. And we welcome two new Associates from Anglesea – Andrew Jones and Paul Nigro.

## Highlights for the year

- Continued strong business/profit growth of \$320 million in banking business.
- Investment of \$150,000 into the Community Enterprise Foundation™ for future community investment bringing the balance to \$515,000.
- Community Investment of \$158,000 paid to the local community groups through our Community Investment Program for the 2017/18 financial year. This brings the total value granted by the **Community Bank®** group since its inception, to an excess of \$2 million dollars. 'Can you believe that?!'
- Continued employment of 15 professional, local staff.

# Chairman's report (continued)

---

- The opening of the Lorne **Community Bank**<sup>®</sup> Branch.
- Closer alliance to the Surf Coast Shire regarding joint grant proposals.
- Creation of a new 2018-2021 Strategic Plan.
- Continued payment of significant returns to shareholders.

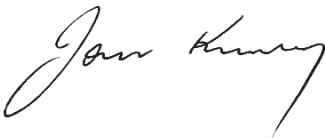
It is an interesting time in the banking industry with new challenges, regulations, banking trends by customers and competition, etc. However, we, as the Board of Directors, believe that the **Community Bank**<sup>®</sup> model has many advantages which will enable us to continue to build the business.

Our catchment area, which extends from Bellbrae to Wye River along the coast to the hinterland from Moriac to Birregurra to Inverleigh, is seeing and experiencing unprecedented growth in housing, which will play an important role in our future.

I would like to personally thank and on behalf of the Board the following people:

- the Bendigo Bank management staff – Regional Manager, Sue Tansey and Regional Community Manager, Kevin Hannam, for their flexibility, approachability, advice and leadership that greatly assists both the Branch staff and the Board;
- our customers for their continued support, advocacy and business referrals that they create for our mutual benefit;
- our shareholders for their continued support. You should be very proud of the significant community contributions your shareholding allows us to achieve;
- our Executive Assistant – Sue Lubcke for her great role in keeping the forever growing organisation in order.

To conclude, be proud of being a **Community Bank**<sup>®</sup> model supporter! The model not only offers great personal and business banking facilities, but also achieves positive outcomes for the communities we live in.



**John Knuckey**  
**Chairman**

# Senior Manager's report

---

For year ending 30 June 2018

It is my pleasure that I present to you the Senior Managers report for the 2017/18 financial year.

It was another challenging but successful one for our **Community Bank®** company. While the total business growth over the year was below our forecast and what we have achieved in the past, there were still some stand out results and successes.

Overall, we grew the total business holdings by \$3.3 million to a total \$316 million in deposit and loans across our branches. This was well below our last year result (\$27 million) and our budgeted target of \$24.3 million. While we did achieve some strong lending results at a branch level with \$7 million in growth, a decline in business banking lending and branch deposits saw a negative effect on the year end results. The negative branch deposit result was uncharacteristic for our business and something that we have never experienced in our 14-year history. This was mostly from the major banks increasing their term deposit rates in an effort to build their retail deposit holdings, continuing high 'at call' returns for consumers from online competitors. Additionally, we saw some other deposit customers moving from cash investment to buying property and other external investments.

While we didn't achieve our overall business growth objectives, our gross income was on budget and up by \$147,000 on last year. This was mainly due to the product selection of our customers, having a more favourable income margin for us. Our decline in branch deposits and business banking loans were both on the lower end of income return, while branch lending where we experienced our growth, is a higher income return. After our investment back to our local community groups and organisations we had a strong pre-tax profit of \$178,000, which is consistent with last year (\$170,000).

The Financial Services Industry has been challenged with increased regulation over the past 12 months, as APRA has provided a greater emphasis on the banks to focus on responsible lending. The main focuses being debt reduction with a movement away from ongoing Revolving Credit and Interest Only facilities, ensuring that people can repay their commitments within their usual working lifespans, and a greater analysis upon loan affordability and an in depth analysis of applicants' expenditure rather than traditional methods of generic living expenditure models. Over this past year we have also seen the Royal Banking Commission established and we've heard many stories of unscrupulous activities by some institutions. These stories and the related media attention have further contributed to a more conservative and cautious approach to banking procedures and policies in recent times. Bendigo Bank has a reputation of being a responsible and trusted bank, however enhanced processes and analysis has resulted in longer application and assessment turnarounds and more manhours required, adhering to these practises.

The evolving electronic and automated nature of banking continues to see a reduction in the transactional activity in our branches. While customer and account numbers are rising, the actual banking transactions are declining at a rate of between 5-10% on average, year on year since 2013. We are still seeing strong numbers of people within our branches for product opening, maintenance and advice-based services, which has led to changes in the way we structure our branch teams and branches. At Winchelsea & District **Community Bank®** Branch, we have recently reduced the transactional space and increased our office space for greater privacy and more advice services. We are transitioning our front office branch teams to be more advice based rather than the traditional 'bank tellers', as the need declines.

The reduction in-branch traffic also impacts the way we attract new customers and engage with our existing customers. Our community nature and reputation of being good relationship bankers, has resulted in 'word of mouth' customer advocacy. We are engaging in more phone based relationship calls with our existing customer base to see if their current banking package is the most relevant and cost effective, or if we can assist them further with achieving their financial goals. We also continue to be active within the community, outside of the confines of the branch and operating hours with numerous local groups and organisations.



# Senior Manager's report (continued)

---

In December 2017 we successfully opened our Lorne **Community Bank**<sup>®</sup> Branch, which was a consolidation of our existing business office (on the same site) and the Lorne Bendigo Bank Agency. The new branch took a lot of negotiation and planning with all stakeholders, for which we thank our local Bendigo Bank regional management team, led by Sue Tansey and Kevin Hannam. We also owe much gratitude to the Lorne Bendigo Bank agency operators, Dee Stewart and Lester Barclay for servicing our existing Lorne customers and assisting us to build the foundation for our new Lorne **Community Bank**<sup>®</sup> Branch. The branch offers the full range of Bendigo Bank products and services with specialist bankers available on site by appointment. Like our Anglesea & District and Winchelsea & District **Community Bank**<sup>®</sup> branches, all banking business held at our Lorne **Community Bank**<sup>®</sup> Branch help us give back to our communities. The branch also has two complimentary businesses that sublease offices on site, which offset some of our occupancy costs and increases the foot traffic and awareness of our business.

I'm very proud of our team and would like to thank them all for their support in another challenging year – Josie McDonald, Sally Dyer, Natasha Skurka, Kim Schwarze, Bec Young, Kelly Turner, Jenna Robinson, Alana Stevens, Shannyn McInnes, Dean Hackwill, Rob Cameron, Julie Dunkley and Matilda Trounson. I'm very fortunate to work with a team who are very passionate and committed to our business and communities. Also, a big thank you to our Executive Assistant Sue Lubcke, who organises and supports the company behind the scenes, which can be a thankless and sometimes isolated task.

I can't express enough gratitude toward our volunteer Directors, who selflessly commit countless hours to your **Community Bank**<sup>®</sup> branches, for no other reason other than the betterment of our communities. It is inspirational to work with our Directors and the support that they provide both myself and our team, is nothing short of remarkable.



**Jeremy Morris**  
**Senior Branch Manager**

# Contributing more than \$2 million back to our local communities.

In the 2017/18 financial year the customers of the Anglesea, Lorne and Winchelsea **Community Bank**<sup>®</sup> branches have returned more than \$158,000 into the local community by supporting the following clubs, organisations, and groups.



Clockwise from top: Winchelsea Group CFA Golf Day; BBQ Fundraiser; \$300 million CFS celebrations; ABClub - Triple for Triers; Geelong Mums. Opposite page: CFS-CFA-Tipping Presentation.

**\$158,000**

2017/18  
contributions.

**\$2 million**

Total contributions  
since opening.

## 2017/18 Community Investment recipients.

1st Modewarre Scout Group

Aireys Inlet Primary School

Aireys Inlet Tourism and Traders

ANGAIR Inc

Anglesea Art House

Anglesea Bowls Club

Anglesea CFA

Anglesea Community Garden

Anglesea Community House

Anglesea Community Network

Anglesea Football and  
Netball Club

Anglesea Golf Club

Anglesea Kindergarten

Anglesea Lioness'

Anglesea Lions Club

Anglesea Motor Yacht Club

Anglesea Performing Arts Inc

Anglesea RSL

Anglesea SLSC

Anglesea Tennis Club

Bellaire Primary School  
Bushfire Aid

Bellbrae Primary School

Birregurra Art Festival

Birregurra Football Netball Club

Birregurra Primary School

Business & Tourism Anglesea

Deans Marsh Community Cottage

Eastern Reserve Committee of  
Management

Geelong Mums

Growing Winchelsea Inc

Inverleigh Golf club

Kyokushin Karate

Lorne Aquatic and Angling Club

Lorne Bowling Club

Lorne Community Hospital

Lorne Football and Netball Club

Lorne Lions Club

Lorne P-12 College

Lorne Sculpture Biennale

Modewarre Football and  
Netball Club

Moriac Equestrian Facility User Group

Moriac Pre-School

Moriac Primary School

Moriac Tennis Club

Mt Duneed Adult Riding Club

Relay for Life

Repair Café Surfcoast

Speed Shear 2017

St Thomas' Anglican Church

Surf Coast Energy Group

Surfcoast Wildlife Shelter Group

The Sound Doctor Inc

Winchelsea Art & Photography Show

Winchelsea Bowls Club

Winchelsea Football Netball Club

Winchelsea Golf Club

Winchelsea Group CFA

Winchelsea Horticulture & Garden  
Club

Winchelsea Men's Shed

Winchelsea Neighbourhood Watch

Winchelsea Plastic Bag Free  
Committee

Winchelsea Primary School

Winchelsea Uniting Church

Winchelsea Youth Leisure & Drop In

Wye River CFA



# Bendigo and Adelaide Bank report

---

For year ending 30 June 2018

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

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

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

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

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

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

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

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

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

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

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



**Robert Musgrove**  
**Bendigo and Adelaide Bank**

# Directors' report

---

For the financial year ended 30 June 2018

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

## Directors

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

### **John McKenzie Knuckey**

Chair

Occupation: Business Proprietor – Engineering

Qualifications, experience and expertise: Self employed in the agricultural retail and manufacturing industry for 40 years. Past executive of local sporting clubs. Long time local resident.

Special responsibilities: Assets & Finance Committee, Executive Committee, Governance Committee, Marketing and Community Investment Committee

Interest in shares: 4,700

### **Vaughan Mervyn Lamb**

Deputy Chair

Occupation: Retired

Qualifications, experience and expertise: Practicing Solicitor from 1978 to 2018. Qualifications include B.A/LLB (Melbourne). Paul Harris Fellow (Rotary) 1998. Former Chair and board member at Bethany Family Support (1985 to 1996) and Geelong Disabled Peoples Industries. Vaughan is also former board member at Kalkee, Grace McKellar and Geelong Leisure Network.

Special responsibilities: Governance Committee, Executive Committee

Interest in shares: Nil

### **Robert John Earl**

Director

Occupation: Civil Contractor

Qualifications, experience and expertise: Qualified Diesel Fitter and holds a Diploma of Occupational Health and Safety. Managed own business and staff since May 1988, ten years in heavy construction and mining. Former president of the Civil Contractors Federation for ten years, founding member of the Winchelsea Tourist and Traders, former member of the SES and Landcare and former mentor at the Winchelsea Primary School.

Special responsibilities: Marketing and Community Investment Committee

Interest in shares: 28,200

### **Kenneth Ian McDonald**

Director

Occupation: Real Estate Agent/Grain Consultant

Qualifications, experience and expertise: Self employed Real Estate Agent/Grain Consultant. Long time local resident and community volunteer.

Special responsibilities: Assets & Finance Committee

Interest in shares: 1,800

# Directors' report (continued)

---

## Directors (continued)

### **John Hubert Tebbutt**

Deputy Chair

Director

Occupation: Retired Barrister at Law

Qualifications, experience and expertise: Barrister at Law for 43 years. Licensed Legal Practitioner and Accredited Mediator (Bond University). Past President of the Torquay Golf Club. Part time Farmer.

Special responsibilities: Governance Committee, Executive Committee

Interest in shares: Nil

### **Robyn Gaye Erwin**

Director (On leave of absence commencing 27th February 2018)

Occupation: Small Business Owner

Qualifications, experience and expertise: Small business owner. Former Business Development Manager at Geelong Performing Arts Centre. Former Sales and Marketing Manager at All Seasons Hotels.

Special responsibilities: Chair of Marketing & Community Investment Committee

Interest in shares: Nil

### **Pamela Margaret Sandlant**

Director

Occupation: Retired School Principal

Qualifications, experience and expertise: Diploma of Teaching, Bachelor of Education. Teacher and School Principal 40 years (Management and Education). Director of family business (Farming). Account management, various community involvement in sporting groups and voluntary community groups. Member/minute secretary Committee of management of Anglesea Community House (14 years).

Special responsibilities: Governance Committee

Interest in shares: Nil

### **Raylene Margaret Fordham**

Secretary

Occupation: Business Owner

Qualifications, experience and expertise: Managing Director of a national mystery shopping company. Executive Officer of the Anglesea Tourism and Traders Association. Business Owner of a local accommodation facility. Raylene is a goal-oriented professional with solid managerial and people skills. Highly organised and able to manage multiple tasks. Strong work ethic coupled with the deepest commitment to achieving successful outcomes. Highly adaptable to change. Decisive, possessing a keen understanding of commercial realities.

Special responsibilities: Company Secretary, Chair of the Governance Committee, Executive Committee

Interest in shares: Nil

## Company Secretary

The company secretary is Raylene Margaret Fordham. Raylene was appointed to the position of secretary on 2 December 2015.

# Directors' report (continued)

---

## Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank®** services under management rights to operate franchised branches 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 \$
126,755	217,177

## Dividends

	Year ended 30 June 2018	
	Cents	\$
Dividends paid in the year	6	87,272

## 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.



# Directors' report (continued)

## Indemnification and insurance of directors and officers

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

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

## Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended									
			Marketing & Community Investment		Assets & Finance		Governance		Executive		Business Development	
	E	A	E	A	E	A	E	A	E	A	E	A
John McKenzie Knuckey	11	9	5	5	3	3	5	3	10	10	1	1
Vaughan Mervyn Lamb	11	8	-	-	-	-	5	4	10	8	1	1
Robert John Earl	11	9	5	4	-	-	-	-	-	-	1	1
Kenneth Ian McDonald	11	10	-	-	3	3	-	-	1	1	1	1
John Hubert Tebbutt	11	5	-	-	-	-	5	2	10	9	1	1
Robyn Gaye Erwin*	11	2	5	1	-	-	-	-	-	-	1	1
Pamela Margaret Sandlant	11	6	-	-	-	-	5	5	1	1	1	1
Raylene Margaret Fordham	11	11	1	1	1	1	5	5	10	10	1	1

E - eligible to attend

A - number attended

\* (On leave of absence commencing 27th February 2018)

## 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*.

# Directors' report (continued)

---

## 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 assets and finance 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*.

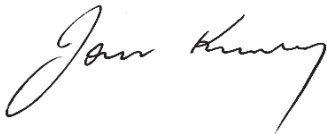
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the assets and finance 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 14.

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



**John McKenzie Knuckey,**  
**Chair**

# Auditor's independence declaration

---



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 Corangamite Financial Services Limited

As lead auditor for the audit of Corangamite Financial Services Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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

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

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

**David Hutchings**  
Lead Auditor

Taxation | Audit | Business Services

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

# Financial statements

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

	Notes	2018 \$	2017 \$
Revenue from ordinary activities	4	2,368,566	2,221,459
Employee benefits expense		(1,183,200)	(1,054,069)
Charitable donations, sponsorship, advertising and promotion		(291,419)	(320,363)
Occupancy and associated costs		(219,438)	(171,253)
Systems costs		(115,938)	(111,304)
Depreciation and amortisation expense	5	(104,581)	(95,523)
Finance costs	5	(5,345)	(3,738)
General administration expenses		(270,633)	(294,771)
<b>Profit before income tax expense</b>		<b>178,012</b>	<b>170,438</b>
Income tax expense	6	(51,257)	(46,579)
<b>Profit after income tax expense</b>		<b>126,755</b>	<b>123,859</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss:			
Revaluation gain on land and buildings, net of tax		-	93,318
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>126,755</b>	<b>217,177</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
Basic earnings per share	25	8.92	8.72

The accompanying notes form part of these financial statements.



# Financial statements (continued)

## Balance Sheet as at 30 June 2018

	Notes	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	283,153	264,311
Trade and other receivables	8	209,964	193,084
Current tax asset	11	-	3,215
<b>Total current assets</b>		<b>493,117</b>	<b>460,610</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	1,178,337	1,153,484
Intangible assets	10	199,429	35,799
<b>Total non-current assets</b>		<b>1,377,766</b>	<b>1,189,283</b>
<b>Total assets</b>		<b>1,870,883</b>	<b>1,649,893</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	117,226	57,316
Current tax liabilities	11	13,394	-
Borrowings	13	57,233	36,786
Provisions	14	106,804	104,498
<b>Total current liabilities</b>		<b>294,657</b>	<b>198,600</b>
<b>Non-current liabilities</b>			
Trade and other payables	12	123,037	-
Borrowings	13	24,852	82,086
Provisions	14	25,359	7,730
Deferred tax liabilities	11	14,248	14,230
<b>Total non-current liabilities</b>		<b>187,496</b>	<b>104,046</b>
<b>Total liabilities</b>		<b>482,153</b>	<b>302,646</b>
<b>Net assets</b>		<b>1,388,730</b>	<b>1,347,247</b>
<b>EQUITY</b>			
Issued capital	15	966,000	966,000
Reserves	16	111,818	111,818
Retained earnings	17	310,912	269,429
<b>Total equity</b>		<b>1,388,730</b>	<b>1,347,247</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

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

	Notes	Issued capital \$	Reserves \$	Retained earnings \$	Total equity \$
Balance at 1 July 2016		966,000	18,500	230,842	1,215,342
Total comprehensive income for the year		-	93,318	123,859	217,177
<b>Transactions with owners in their capacity as owners:</b>					
Shares issued during period		-	-	-	-
Costs of issuing shares		-	-	-	-
Dividends provided for or paid	23	-	-	(85,272)	(85,272)
<b>Balance at 30 June 2017</b>		<b>966,000</b>	<b>111,818</b>	<b>269,429</b>	<b>1,347,247</b>
Balance at 1 July 2017		966,000	111,818	269,429	1,347,247
Total comprehensive income for the year		-	-	126,755	126,755
<b>Transactions with owners in their capacity as owners:</b>					
Shares issued during period		-	-	-	-
Costs of issuing shares		-	-	-	-
Dividends provided for or paid	23	-	-	(85,272)	(85,272)
<b>Balance at 30 June 2018</b>		<b>966,000</b>	<b>111,818</b>	<b>310,912</b>	<b>1,388,730</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Cash Flows for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		2,543,280	2,377,896
Payments to suppliers and employees		(2,208,716)	(2,143,730)
Interest received		3,198	-
Interest paid		(5,345)	(3,738)
Income taxes paid		(47,587)	(62,794)
<b>Net cash provided by operating activities</b>	<b>18</b>	<b>284,830</b>	<b>167,634</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(94,180)	(3,320)
Proceeds from property, plant and equipment		-	25,909
Payments for intangible assets		(49,750)	-
Proceeds from financial assets		-	38,572
<b>Net cash provided by/(used in) investing activities</b>		<b>(143,930)</b>	<b>61,161</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(36,786)	(28,365)
Dividends paid	19	(85,272)	(85,272)
<b>Net cash used in financing activities</b>		<b>(122,058)</b>	<b>(113,637)</b>
<b>Net increase in cash held</b>		<b>18,842</b>	<b>115,158</b>
Cash and cash equivalents at the beginning of the financial year		264,311	149,153
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<b>283,153</b>	<b>264,311</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

---

For year ended 30 June 2018

## Note 1. Summary of significant accounting policies

### **a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The company is a for-profit entity for the purpose of preparing the financial statements.

#### Compliance with IFRS

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

#### Critical accounting estimates

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

#### Historical cost convention

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

#### Comparative figures

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

#### Application of new and amended accounting standards

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

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

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

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

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



# 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 leases of its branches. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to \$381,255, on an undiscounted basis (see Note 20).

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

#### Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**<sup>®</sup> branches at Winchelsea and Anglesea, Victoria.

The branches operate 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> branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**<sup>®</sup> branches 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> branches 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> branches
- 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

# 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 formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

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

### b) Revenue

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

#### Revenue calculation

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

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

#### Core banking products

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

#### Margin

Margin is arrived at through the following calculation:

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

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

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

#### Commission

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

# Notes to the financial statements (continued)

---

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

### b) Revenue (continued)

#### Fee income

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

#### Discretionary financial contributions

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

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

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

#### Ability to change financial return

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

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

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

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

#### Monitoring and changing financial return

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

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

# Notes to the financial statements (continued)

---

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

### **c) Income tax**

#### Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is payable (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 entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the entity intends to settle its tax assets and liabilities on a net basis.

#### Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or gain from a bargain purchase.

### **d) Employee entitlements**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

### **e) Cash and cash equivalents**

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



# Notes to the financial statements (continued)

---

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

### **f) Trade receivables and payables**

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

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

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

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

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

- buildings	40 years
- leasehold improvements	5 - 15 years
- furniture and fittings	4 - 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.

# Notes to the financial statements (continued)

---

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

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

#### Derecognition

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

#### Classification and subsequent measurement

##### (i) Loans and receivables

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

##### (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) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

##### (iv) 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.

# Notes to the financial statements (continued)

---

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

### **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.

### **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.

# Notes to the financial statements (continued)

---

## Note 2. Financial risk management (continued)

### (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 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.

# Notes to the financial statements (continued)

---

## 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 carried forward tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

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

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

### Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

### Impairment of assets

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

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

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

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

### Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

# Notes to the financial statements (continued)

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

### Fair value measurement (continued)

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

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

## Note 4. Revenue from ordinary activities

### Operating activities:

- gross margin	1,952,759	1,774,389
- services commissions	158,896	179,463
- fee income	180,874	197,771
- market development fund	57,083	37,500
<b>Total revenue from operating activities</b>	<b>2,349,612</b>	<b>2,189,123</b>

### Non-operating activities:

- interest received	3,198	-
- rental revenue	13,332	18,483
- profit on sale of non-current assets	-	11,575
- other revenue	2,424	2,278
<b>Total revenue from non-operating activities</b>	<b>18,954</b>	<b>32,336</b>
<b>Total revenues from ordinary activities</b>	<b>2,368,566</b>	<b>2,221,459</b>



# Notes to the financial statements (continued)

	2018 \$	2017 \$
<b>Note 5. Expenses</b>		
Depreciation of non-current assets:		
- buildings	21,878	19,643
- furniture and fittings	9,780	11,155
- leasehold improvements	12,016	10,627
- motor vehicles	25,652	27,230
Amortisation of non-current assets:		
- franchise fee	19,050	10,676
- renewal fee	16,205	16,192
	<b>104,581</b>	<b>95,523</b>
Finance costs:		
- interest paid	<b>5,345</b>	<b>3,738</b>
<b>Bad debts</b>	<b>86</b>	<b>1,375</b>
<b>Loss on disposal of financial asset</b>	<b>-</b>	<b>771</b>

## Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	51,238	36,107
- Movement in deferred tax	19	10,472
	<b>51,257</b>	<b>46,579</b>
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	178,012	170,438
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	48,954	46,870
Add tax effect of:		
- non-deductible expenses	2,303	-
- timing difference expenses	(19)	(7,580)
- other deductible expenses	-	(3,183)
	<b>51,238</b>	<b>36,107</b>
Movement in deferred tax	19	10,472
	<b>51,257</b>	<b>46,579</b>

# Notes to the financial statements (continued)

	Notes	2018 \$	2017 \$
<b>Note 7. Cash and cash equivalents</b>			
Cash at bank and on hand		41,848	160,627
Term deposits		241,305	103,684
		<b>283,153</b>	<b>264,311</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		41,848	160,627
Term deposits		241,305	103,684
		<b>283,153</b>	<b>264,311</b>

## **Note 8. Trade and other receivables**

Trade receivables		183,486	168,960
Prepayments		26,478	24,124
		<b>209,964</b>	<b>193,084</b>

## **Note 9. Property, plant and equipment**

### Land and buildings

Freehold land			
<b>At independent valuation</b>	<b>19</b>	<b>100,000</b>	<b>100,000</b>
Buildings - Winchelsea			
At fair value		400,000	400,000
Less accumulated depreciation		(10,000)	-
	<b>19</b>	<b>390,000</b>	<b>400,000</b>
<b>Total land and buildings</b>		<b>490,000</b>	<b>500,000</b>
Fit out - Winchelsea			
At cost		288,839	288,839
Less accumulated depreciation		(62,397)	(50,519)
		<b>226,442</b>	<b>238,320</b>
Leasehold improvements			
At cost		365,613	284,328
Less accumulated depreciation		(53,154)	(41,138)
		<b>312,459</b>	<b>243,190</b>

# Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 9. Property, plant and equipment (continued)		
Plant and equipment		
At cost	13,377	13,377
Less accumulated depreciation	(13,377)	(13,377)
	-	-
Motor vehicles		
At cost	205,207	205,207
Less accumulated depreciation	(98,876)	(73,224)
	<b>106,331</b>	<b>131,983</b>
Furniture and fittings		
At cost	152,559	139,665
Less accumulated depreciation	(109,454)	(99,674)
	<b>43,105</b>	<b>39,991</b>
<b>Total written down amount</b>	<b>1,178,337</b>	<b>1,153,484</b>
<b>Movements in carrying amounts:</b>		
Land		
Carrying amount at beginning	100,000	100,000
Additions	-	-
Disposals	-	-
<b>Carrying amount at end</b>	<b>100,000</b>	<b>100,000</b>
Buildings - Winchelsea		
Carrying amount at beginning	400,000	279,080
Additions	-	-
Disposals	-	-
Revaluation increment	-	128,714
Less: depreciation expense	(10,000)	(7,794)
<b>Carrying amount at end</b>	<b>390,000</b>	<b>400,000</b>
Fit out - Winchelsea		
Carrying amount at beginning	238,320	247,320
Additions	-	2,850
Disposals	-	-
Less: depreciation expense	(11,878)	(11,850)
<b>Carrying amount at end</b>	<b>226,442</b>	<b>238,320</b>

# Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 9. Property, plant and equipment (continued)		
Leasehold improvements		
Carrying amount at beginning	243,190	253,347
Additions	81,285	470
Disposals	-	-
Less: depreciation expense	(12,016)	(10,627)
<b>Carrying amount at end</b>	<b>312,459</b>	<b>243,190</b>
Motor vehicles		
Carrying amount at beginning	131,983	125,559
Additions	-	47,987
Disposals	-	(14,333)
Less: depreciation expense	(25,652)	(27,230)
<b>Carrying amount at end</b>	<b>106,331</b>	<b>131,983</b>
Furniture and fittings		
Carrying amount at beginning	39,991	51,146
Additions	12,894	-
Disposals	-	-
Less: depreciation expense	(9,780)	(11,155)
<b>Carrying amount at end</b>	<b>43,105</b>	<b>39,991</b>
<b>Total written down amount</b>	<b>1,178,337</b>	<b>1,153,484</b>

The company's land and buildings at Winchelsea (excluding fit out) was independently valued during June 2017 by Hendrey Consulting Pty Ltd. The valuation resulted in an increment to the carrying amount of the buildings of \$128,714 (\$93,318 net of income tax), recognised as other comprehensive income in the Statement of Profit or Loss and Other Comprehensive Income.

	2018 \$	2017 \$
Note 10. Intangible assets		
Franchise fee		
At cost	256,059	158,323
Less: accumulated amortisation	(163,137)	(144,088)
	<b>92,922</b>	<b>14,235</b>

# Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 10. Intangible assets (continued)		
Renewal processing fee		
At cost	169,616	80,934
Less: accumulated amortisation	(75,575)	(59,370)
	<b>94,041</b>	<b>21,564</b>
Lorne agency buy-out		
At cost	12,466	-
	<b>12,466</b>	-
<b>Total written down amount</b>	<b>199,429</b>	<b>35,799</b>

## Note 11. Tax

### Current:

<b>Income tax payable/(refundable)</b>	<b>13,394</b>	<b>(3,215)</b>
--	---------------	----------------

### Non-Current:

Deferred tax assets		
- accruals	908	743
- employee provisions	36,345	30,863
	<b>37,253</b>	<b>31,606</b>
Deferred tax liability		
- property, plant and equipment	51,501	45,836
	<b>51,501</b>	<b>45,836</b>
<b>Net deferred tax liability</b>	<b>(14,248)</b>	<b>(14,230)</b>
<b>Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income</b>	<b>18</b>	<b>45,868</b>

## Note 12. Trade and other payables

<b>Other creditors and accruals</b>	<b>117,226</b>	<b>57,316</b>
<b>Non-Current:</b>		
<b>Other creditors and accruals</b>	<b>123,037</b>	-

# Notes to the financial statements (continued)

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

## Note 13. Borrowings

### Current:

Chattel mortgage:

Vehicle loan		12,649	11,420
Bus loan		44,584	25,366
	<b>20</b>	<b>57,233</b>	<b>36,786</b>

### Non-Current:

Chattel mortgage:

Vehicle loan		24,852	37,502
Bus loan		-	44,584
	<b>20</b>	<b>24,852</b>	<b>82,086</b>

The chattel mortgage for the two Captiva's is secured against the underlying financed motor vehicles. Repayments are currently \$1,177.90 per month with the facility set to expire in February 2020.

The chattel mortgage for the Bus is secured against the underlying financed motor vehicle. Repayments are currently \$2,342.98 per month with the facility set to expire in September 2018.

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

## Note 14. Provisions

### Current:

Provision for annual leave	51,532	50,573
Provision for long service leave	55,272	53,925
	<b>106,804</b>	<b>104,498</b>

### Non-Current:

<b>Provision for long service leave</b>	<b>25,359</b>	<b>7,730</b>
---	---------------	--------------

## Note 15. Issued capital

<b>1,421,200 ordinary shares fully paid (2017: 1,421,200)</b>	<b>966,000</b>	<b>966,000</b>
---	----------------	----------------

A bonus share issue on a 4:5 basis (455,200 shares) was issued to all existing shareholders during 2007.



# Notes to the financial statements (continued)

---

## Note 15. Issued capital (continued)

### **Rights attached to shares**

#### (a) Voting rights

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

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

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

#### (b) Dividends

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

#### (c) Transfer

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

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

### **Prohibited shareholding interest**

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 303. As at the date of this report, the company had 477 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.

# Notes to the financial statements (continued)

## Note 15. Issued capital (continued)

### Prohibited shareholding interest (continued)

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.

	Notes	2018 \$	2017 \$
<b>Note 16. Reserves</b>			
<b>Asset revaluation reserve</b>	<b>9</b>	<b>111,818</b>	<b>111,818</b>

## Note 17. Retained earnings

Balance at the beginning of the financial year	269,429	230,842
Net profit from ordinary activities after income tax	126,755	123,859
Dividends provided for or paid	(85,272)	(85,272)
<b>Balance at the end of the financial year</b>	<b>310,912</b>	<b>269,429</b>

## Note 18. 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	126,755	123,859
Non cash items:		
- depreciation	69,326	68,655
- amortisation	35,255	26,868
- loss on disposal of financial assets	-	771
- profit on sale of asset	-	(11,575)

# Notes to the financial statements (continued)

	2018 \$	2017 \$
<b>Note 18. Statement of cash flows (continued)</b>		
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(16,880)	(15,595)
- (increase)/decrease in other assets	(183,204)	28,423
- increase/(decrease) in payables	220,230	5,567
- increase/(decrease) in provisions	19,935	(14,701)
- increase/(decrease) in current tax liabilities	13,413	(44,638)
<b>Net cash flows provided by operating activities</b>	<b>284,830</b>	<b>167,634</b>

## Note 19. Fair value measurement

This section explains the judgements and estimates made in determining the fair values of the company's assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the applicable assets have been classified into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

At 30 June 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Recurring fair value measurements:</b>				
Property, Plant and Equipment				
Freehold land	-	100,000	-	100,000
Buildings	-	390,000	-	390,000
	-	<b>490,000</b>	-	<b>490,000</b>
<b>Total assets at fair value</b>	-	<b>490,000</b>	-	<b>490,000</b>
<b>At 30 June 2017</b>				
Property, Plant and Equipment				
Freehold land	-	100,000	-	100,000
Buildings	-	400,000	-	400,000
	-	<b>500,000</b>	-	<b>500,000</b>
<b>Total assets at fair value</b>	-	<b>500,000</b>	-	<b>500,000</b>

There were no transfers between Level 1 and Level 2 during the reporting period. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

- Level 1: The fair value of available-for-sale financial assets traded in active markets is based on the quoted market price at the close of business at the end of the reporting period.
- Level 2: The fair value of property, plant and equipment is based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.
- Level 3: There were no fair value measurements by the Level 3 fair value hierarchy.

# Notes to the financial statements (continued)

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

## Note 20. Leases

Chattel mortgage commitments

Payable - minimum lease payments:

- not later than 12 months	58,820	84,161
- between 12 months and 5 years	25,160	39,294
<b>Minimum lease payments</b>	<b>83,980</b>	<b>123,455</b>
Less future finance charges	(1,895)	(4,583)
<b>Present value of minimum lease payments</b>	<b>82,085</b>	<b>118,872</b>

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	122,085	119,121
- between 12 months and 5 years	259,170	372,362
	<b>381,255</b>	<b>491,483</b>

The lease on the Anglesea branch property is a non-cancellable lease which commenced on 1 July 2016 and will cease on 30 June 2021. Annual rent is currently \$77,085 (plus GST).

The lease on the Lorne branch property is a non-cancellable lease which commenced 15 October 2016 and will cease on 15 October 2021. Annual rent is currently \$45,000 (plus GST).

## Note 21. Auditor's remuneration

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

- audit and review services	4,940	4,600
- non audit services	4,040	3,473
	<b>8,980</b>	<b>8,073</b>

## Note 22. Director and related party disclosures

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

John McKenzie Knuckey	Vaughan Mervyn Lamb
Robert John Earl	Kenneth Ian McDonald
John Hubert Tebbutt	Robyn Gaye Erwin
Pamela Margaret Sandlant	Raylene Margaret Fordham

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

# Notes to the financial statements (continued)

## Note 22. Director and related party disclosures (continued)

Directors' shareholdings	2018	2017
John McKenzie Knuckey	4,700	4,700
Vaughan Mervyn Lamb	-	-
Robert John Earl	28,200	28,200
Kenneth Ian McDonald	1,800	1,800
John Hubert Tebbutt	-	-
Robyn Gaye Erwin	-	-
Pamela Margaret Sandlant	-	-
Raylene Margaret Fordham	-	-

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

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

## Note 23. Dividends provided for or paid

### a. Dividends paid during the year

Current year dividend		
<b>100% (2017: 100%) franked dividend - 6 cents (2017: 6 cents) per share</b>	<b>85,272</b>	<b>85,272</b>

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

### b. Franking account balance

Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	248,047	245,763
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	13,394	(3,215)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year		-
<b>Franking credits available for future financial reporting periods:</b>	<b>261,441</b>	<b>242,548</b>
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
<b>Net franking credits available</b>	<b>261,441</b>	<b>242,548</b>

# Notes to the financial statements (continued)

## Note 24. Key management personnel disclosures

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

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

### **Community Bank®** Directors' Privileges Package

The board has adopted the **Community Bank®** Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank®** branches at Winchelsea, Anglesea and Lorne, Victoria. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders.

For the year ended 30 June 2018 there have been no benefits received by the Directors from the Directors Privilege Package.

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

## Note 25. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company  
used in calculating earnings per share

126,755      123,859

	Number	Number
--	--------	--------

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

1,421,200      1,421,200

## Note 26. 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 27. 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 28. Segment reporting

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



# Notes to the financial statements (continued)

## Note 29. 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

Corangamite Financial Services Ltd  
11 Main Street,  
Winchelsea VIC 3241

### Principal Place of Business

Winchelsea **Community Bank**<sup>®</sup> Branch  
11 Main Street,  
Winchelsea VIC 3241

Anglesea **Community Bank**<sup>®</sup> Branch  
97 Great Ocean Road,  
Anglesea VIC 3230

Lorne **Community Bank**<sup>®</sup> Branch  
1/32 Mountjoy Parade  
Lorne VIC 3232

## Note 30. 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	41,323	160,256	241,305	103,684	-	-	-	-	525	371	0.89	Nil
Receivables	-	-	-	-	-	-	-	-	183,486	168,960	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	57,233	36,786	24,852	82,086	-	-	-	-	5.39	3.64
Payables	-	-	-	-	-	-	-	-	-	-	N/A	N/A

### Net Fair Values

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

# Notes to the financial statements (continued)

## Note 30. Financial instruments (continued)

### Credit Risk

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

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

### Interest Rate Risk

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

### Sensitivity Analysis

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

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

	<b>2018</b> <b>\$</b>	<b>2017</b> <b>\$</b>
Change in profit/(loss)		
Increase in interest rate by 1%	2,005	1,451
Decrease in interest rate by 1%	(2,005)	(1,451)
Change in equity		
Increase in interest rate by 1%	2,005	1,451
Decrease in interest rate by 1%	(2,005)	(1,451)

# Directors' declaration

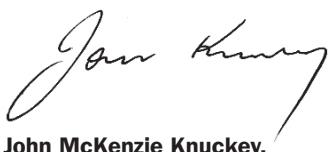
---

In accordance with a resolution of the directors of Corangamite Financial Services 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.



**John McKenzie Knuckey,**  
**Chair**

Signed on the 5th of September 2018.

# Independent audit report

---



Chartered Accountants

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

## Independent auditor's report to the members of Corangamite Financial Services Limited

### Report on the audit of the financial statements

#### Our opinion

In our opinion, the financial report of Corangamite Financial Services 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

Corangamite Financial Services 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.

Taxation | Audit | Business Services

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

# Independent audit report (continued)

---

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

## **Directors' responsibility for the financial report**

The directors of the company are responsible for the preparation of the financial report so that it gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibility for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.



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



**David Hutchings**  
Lead Auditor

Anglesea & District **Community Bank**<sup>®</sup> Branch  
97 Great Ocean Road, Anglesea VIC 3230  
Phone: (03) 5263 3906 Fax: (03) 5263 3912  
[www.bendigobank.com.au/anglesea](http://www.bendigobank.com.au/anglesea)

Lorne **Community Bank**<sup>®</sup> Branch  
1/32 Mountjoy Parade, Lorne VIC 3232  
Phone: (03) 5289 1787 Fax: (03) 5289 1402  
[www.bendigobank.com.au/lorne](http://www.bendigobank.com.au/lorne)

Winchelsea & District **Community Bank**<sup>®</sup> Branch  
11 Main Street, Winchelsea VIC 3241  
Phone: (03) 5267 3189 Fax: (03) 5267 3193  
[www.bendigobank.com.au/winchelsea](http://www.bendigobank.com.au/winchelsea)

Franchisee: Corangamite Financial Services Limited  
11 Main Street, Winchelsea VIC 3241  
Phone: (03) 5267 3189  
ABN: 80 105 703 099

[www.bendigobank.com.au](http://www.bendigobank.com.au)  
[www.facebook.com/AngleseaWinchelseaCommunityBankBranch](https://www.facebook.com/AngleseaWinchelseaCommunityBankBranch)

(BNPAR18023) (09/18)

This Annual Report has been printed on 100% Recycled Paper