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Fleurieu

Community Enterprises Limited

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Annual Report

2017

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# Chair's Report

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For year ending 30 June 2017

The 2016/17 year has seen our **Community Bank®** return to a full year profit achieving an underlying net profit before tax of \$34,098 as the investment in our Willunga Customer Service Centre site is absorbed, and we contain costs in key areas, leading to a more stable monthly profit. The full profit recorded is \$147,883 which reflects an accounting and audit requirement of bringing to account our future income tax benefit from attributable losses.

Growth in our deposits and loans has been slower this year with the low interest rate environment continuing to encourage quicker and early repayments. Nevertheless, an increase of \$4,101,000 was achieved taking our total 'footings' to \$107,000,000.

Increasing our products per customer, and insurance sales, have also made a good contribution to our income line as we leverage our customer loyalty to grow the value of our **Community Bank®**.

The Board is proud to note that 53 Community Activities were assisted during the year as our community investment increased to \$235,000 to date. This remains our big differentiating point - that we return to the local community and we have continued our efforts to promote this through our Ambassador and Community Events.

As indicated at our last AGM, discussions had commenced between Goolwa **Community Bank®** and ourselves with a view to looking at ways we might gain from collaborating in certain areas of the business. We brought Bendigo Bank staff to the discussions and established a Management Group to oversee a collaboration between the two **Community Bank®** branches and the Victor Harbor branch. The goal of the project is to build a more successful and sustainable business model in the Fleurieu through joint collaboration and more efficient use of resources without increasing costs. The collaboration has been formalised and the following initiatives have been introduced:

- One Branch Manager covering all 4 outlets (includes Willunga)
- Conversion of the remaining 2 positions to Mobile Relationship Managers
- Back Office activities in the process of being centralised
- Staff rostering centralised combining all planned and unplanned leave arrangements
- Staff covering any gaps in rosters across all 4 sites

There is greater scale and potential as we increase our collaboration and it is worth noting that together we make up more than \$210M in deposits and loans across the Fleurieu. I am sure we will discover more sharing and promotional opportunities in the coming months which we can jointly fund and resource.

Finally, I would like to extend my appreciation to our volunteer Directors for their excellent efforts to ensure we have a compliant, dynamic Board constantly seeking new opportunities. Also, my thanks for the continued support from our staff, customers, and our franchisor Bendigo Bank.



Ronald Leslie Logan, Chair

# Manager's Report

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For year ending 30 June 2017

It has been an exciting year with many changes happening. Under our new banking model known as the Fleurieu Collaboration between the Goolwa & Districts Community Bank, Aldinga Beach & Willunga Community Bank and Victor Harbor Bendigo Bank branch we have seen our staff collaborate between all sites, giving us greater efficiency across the Fleurieu with better outcomes for our customers. This has given us one manager to look after the overall operations of the branches and we now have two Mobile Relationship Managers that help with the business development and lending.

Even though it has been slow to get up take with the balance sheet we have still remained relatively stable across all product lines and with the new implementation of business model we will see a more sustainable increase in the business going in to the future. Our customer numbers have increased at Aldinga Beach & Willunga by 5.2% with a customer growth of 3.5% bringing our overall number of customers to 3545 and we have had an income growth of over 8% for this financial year with a good start to the future.

We live in an ever changing world of banking and this helps to keep us innovative and looking to the future as we change and adapt to the new face of banking.

Having a team that is able to go out in to the community is a way to talk with people, businesses and clubs to help us not only grow our business but in turn help our community investment back in to the community to achieve a prosperous outcome for all.

As always we appreciate the support we receive from our customers and shareholder and our board of directors this helps us to be a sustainable community business.



**Annette Seeliger**  
**Branch Manager**

# Bendigo and Adelaide Bank report

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For year ending 30 June 2017

As we approach 20 years since the first **Community Bank**<sup>®</sup> branch opened its doors, it's timely to reflect on the role of our network's 70,000-strong shareholders and its army of nearly 2,000 passionate local Directors.

As a group of people you are a powerful force that continues to influence change both locally and nationally.

United for a shared purpose in your communities, you are making big things happen beyond the delivery of great banking products and services; you're creating jobs, helping businesses to thrive, solving problems and achieving outcomes that will make your communities better places to live and do business.

Amongst other things, you are providing hundreds of thousands of people in communities around Australia with new opportunities to:

- Play sport in new **Community Bank**<sup>®</sup> funded centres.
- Continue their education thanks to a **Community Bank**<sup>®</sup> scholarship.
- Seek treatment in hospitals closer to home with equipment funded through a **Community Bank**<sup>®</sup> grant.
- Reap the environmental benefits of **Community Bank**<sup>®</sup> funded solar panels and LED lighting, and
- Access mental health services for teenage children with a service supported by a local **Community Bank**<sup>®</sup> branch.

In fact, since the model's inception your investment in local communities exceeds \$165 million and that figure continues to grow every year. This amount excludes the significant co-investment on key projects that many companies have obtained from Government and other parties.

Nationally our voices are increasingly being heard, and our collaborative approach recognised and celebrated.

Representing us all at a recent forum at Canberra's Parliament House, Bendigo Bank's Managing Director and Chairman reinforced the significance of the **Community Bank**<sup>®</sup> model's achievements and called for regulatory change that would help us compete in a crowded and ever-evolving banking sector. Just two months later, the Federal Government announced a levy on Australia's biggest banks that is set to re-level the playing field as we've regularly advocated for.

But for us this is more than a levy. The Turnbull Government's announcement recognises the importance of customers having access to a robust, competitive and customer-focused banking sector. On this note Bendigo Bank was recently recognised as the banking provider of choice in the annual Mozo People's Choice Awards. Better yet, out of 110 banking providers nationally, we were the only bank recognised in all eight banking categories – and were rated the leading bank in six of those eight categories.

This is an extraordinary achievement for you and our bank. Not only does it demonstrate that, in the eyes of our customers, we are doing something right – it very clearly outlines that together we can continue to achieve results.

As we've long known, the more successful our customers are, the stronger our communities become. In this regard the **Community Bank**<sup>®</sup> model enables these outcomes for customers and communities, as increasingly recognised by more and more Australians.

So thank you for your investment in your local **Community Bank**<sup>®</sup> company, for your ongoing contribution and support, tireless advocacy and continued commitment to building strong local communities. Without this, our **Community Bank**<sup>®</sup> branches would be just another bank.



**Robert Musgrove**  
**Executive Engagement Innovation**

# Fleurieu Community Enterprises Limited

## Directors' Report

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

### Directors

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

Ronald Leslie Logan

Chairman

Occupation: Director

Qualifications, experience and expertise: Employed previously as a senior executive and Director with HSBC, CBA, Colonial and TSB (UK). Has worked in the UK, Australia, China, Vietnam and the Philippines. Now resident in Sellicks Hill and operates an aviation and private investment company.

Special responsibilities: Chairman. Chair of Human Resources sub-committee. Member of Audit & Finance, Risk & Governance, Strategy and Community Investments sub-committees.

Interest in shares: 10,000

Christopher Michael West

Director

Occupation: Business Owner

Qualifications, experience and expertise: Owns Home Grain Bakery in Aldinga and McLaren Flat and is helping to re-vitalise the historic township.

Special responsibilities: Chair of Community Investments sub-committee. Member of Strategy and Human Resources sub-committees.

Interest in shares: Nil

Hazel Ann Wainwright

Director

Occupation: Business Owner

Qualifications, experience and expertise: Owner of Wainwright Events. City of Onkaparinga Councillor (Wine Coast Ward), Chair of Aldinga Bay Business and Tourism Association and a representative on the Economic Development Forum of the City of Onkaparinga.

Special responsibilities: Member of Community Investments subcommittee.

Interest in shares: Nil

Karyn Joy Thomas

Director

Occupation: Business Owner

Qualifications, experience and expertise: Graduate of Australian Institute of Company Directors (GAICD). Bachelor of Information Technology (Business Computing & HR) and currently undertaking a Masters of Business Administration (MBA) with University of Adelaide. Owner of Breeze IT, has 22 years IT experience. Currently holds a consulting role with Compuware, providing Software Change Management expertise across Development, Support and Sales. Has Business Development experience including starting a Software Distribution business with successful sale/dissolution. A past Tour Down Under Coordinator for Willunga Business & Tourism Association.

Special responsibilities: Company Secretary. Chair of Finance & Audit (until April 2017) and Risk & Governance sub-committees. Member of Strategy sub-committee.

Interest in shares: 3,000

Anita Jane Bailetti

Director

Occupation: Business Owner and Chartered Accountant

Qualifications, experience and expertise: General Manager at Doc Adams Wines. Bachelor of Management, Bachelor of Commerce, Member of the Institute of Chartered Accountants.

Special responsibilities: Treasurer (from Aug 2016). Chair of Audit & Finance sub-committee (from April 2017).

Interest in shares: Nil

# Fleurieu Community Enterprises Limited

## Directors' Report

### Directors (*continued*)

Charles Dominic Rodney Manning

Director

Occupation: Business Owner

Qualifications, experience and expertise: Owner of Face the World, a Management Consulting firm, He has worked of 20 years coaching/developing Executive Leadership teams with many major corporations and government departments. He is a corporate team coach and facilitator, developer of leaders and managers, helps people to deal with change and plan their lives. Holds a Masters in Applied Science (RMIT), worked for four years in the Commonwealth Dept of Finance and 10 years in the Dept of Defence.

Special responsibilities: Deputy Chairman. Chair of Strategy sub-committee. Member of Community Investments and Human Resources sub-committees.

Interest in shares: Nil

Daniel John Roach

Director (*Appointed 26 September 2016*)

Occupation: Legal Practitioner

Qualifications, experience and expertise: Holds a Bachelor of Laws and Legal Practice, and a Bachelor of Biotechnology. He owns Roach Corporate Law and has worked for a mid-tier commercial law firm for banking and finance providers. He has operated as the in-house counsel for a state government agency and a venture capital fund. He is president of the Seacliff Hockey Club and Chair of the Seaford Moana Business & Tourism Association. He resides in Seaford Meadows.

Special responsibilities: Member of the Risk & Governance and Human Resources sub-committees.

Interest in shares: Nil

Eva Szollosi

Director (*Resigned 18 April 2017*)

Occupation: Financial Manager

Qualifications, experience and expertise: Master of Sciences in Business Administration, Diploma on Management Studies, currently completing CPA studies. Employed previously as a senior associate at ING, Acquisition & Divestment, Capital Management department in the Netherlands and as CFO of ING Service Centre in Budapest. She has 15 years of experience in International Accounting and Corporate Finance.

Special responsibilities: Treasurer (until Aug 2016). Member of Finance & Audit sub-committee.

Interest in shares: Nil

Caleb James Sutherland

Director (*Resigned 24 April 2017*)

Occupation: Business Owner

Qualifications, experience and expertise: Caleb has spent most of his professional life working within media and communications, Serving as Marketing Director for businesses ranging from tourism and hospitality to property and trade. Caleb has also worked as a Federal Parliamentary staffer advising on community engagement, grants, awards and sponsorship. Caleb now operates a digital marketing and communications firm - Content Social Media Services.

Special responsibilities: Member of Risk & Governance and Community Investments sub-committees.

Interest in shares: Nil

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

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

# Fleurieu Community Enterprises Limited

## Directors' Report

### Company Secretary

The company secretary is Karyn Thomas. Karyn was appointed to the position of secretary on 26 November 2014.

Bachelor of Information Technology (Business Computing & HR) and owner of Breeze IT, has 19 years IT experience. Previously a database specialist for CITEC and Comalco, and later for ISPW in the UK, Netherlands and Canada. Currently in Business Development as a Software Distributor in Asia Pacific. A past Tour Down Under Coordinator for Willunga Business & Tourism Association.

### Principal Activities

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

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

### Operating results

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

Year ended 30 June 2017	Year ended 30 June 2016
\$	\$
147,883	(17,109)

### Dividends

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

### Significant changes in the state of affairs

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

### Events since the end of the financial year

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

### Likely developments

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

### Environmental regulation

The company is not subject to any significant environmental regulation.

### Directors' benefits

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



# Fleurieu Community Enterprises Limited

## Directors' Report

### 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	
	<u>Eligible</u>	<u>Attended</u>
Ronald Leslie Logan	12	10
Christopher Michael West	12	11
Hazel Ann Wainwright	12	9
Karyn Joy Thomas	12	9
Anita Jane Bailetti	12	7
Charles Dominic Rodney Manning	12	8
Daniel John Roach ( <i>Appointed 26 Sep 2016</i> )	10	8
Eva Szollosi* ( <i>Resigned 18 Apr 2017</i> )	9	1
Caleb James Sutherland ( <i>Resigned 24 Apr 2017</i> )	9	7

\* Leave of Absence from August 2016 to April 2017

The Board has 5 sub-committees, Finance & Audit (chair Karyn Thomas, new and current chair A Bailetti from May 2017), Risk & Governance (chair Karyn Thomas), Community Investments (chair Christopher West), Strategy (chair Charles Manning) and Human Resources (chair Ron Logan). The other sub-committees were disbanded during the year.

### 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*.

# Fleurieu Community Enterprises Limited

## Directors' Report

### 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 (Accru Harris Orchard) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.


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

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

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Signed in accordance with a resolution of the board of directors at Aldinga Beach, South Australia on 25 September 2017.



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Ronald Leslie Logan, Chairman

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

To the Directors of Fleurieu Community Enterprises Limited:

As lead auditor for the audit of Fleurieu Community Enterprises Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

- + no contraventions of the independence requirements of the Corporations Act 2001 in relation to the audit; and
- + no contraventions of any applicable code of professional conduct in relation to the audit.

**ACCRU + HARRIS ORCHARD**



**BEN WILLINGTON  
DIRECTOR**

Signed at Dulwich this day of 22<sup>nd</sup> September 2017.

Fleurieu Community Enterprises Limited  
Statement of Profit or Loss and Other  
Comprehensive Income  
for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue from ordinary activities	4	673,556	621,082
Employee benefits expense		(369,006)	(370,534)
Charitable donations, sponsorship, advertising and promotion		(36,750)	(34,105)
Occupancy and associated costs		(90,086)	(101,624)
Systems costs		(31,541)	(25,628)
Depreciation and amortisation expense	5	(31,505)	(22,124)
Finance costs	5	-	(2,222)
General administration expenses		(80,570)	(81,954)
<b>Profit/(loss) before income tax credit</b>		<b>34,098</b>	<b>(17,109)</b>
Income tax credit	6	113,785	-
<b>Profit/(loss) after income tax credit</b>		<b>147,883</b>	<b>(17,109)</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>147,883</b>	<b>(17,109)</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
Basic earnings per share	21	20.40	(2.36)

The accompanying notes form part of these financial statements

# Fleurieu Community Enterprises Limited

## Balance Sheet

as at 30 June 2017

	Notes	2017 \$	2016 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	116,162	85,308
Trade and other receivables	8	73,199	61,941
<b>Total Current Assets</b>		<b>189,361</b>	<b>147,249</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	169,703	183,277
Intangible assets	10	51,484	64,915
Deferred tax asset	11	113,785	-
<b>Total Non-Current Assets</b>		<b>334,972</b>	<b>248,192</b>
<b>Total Assets</b>		<b>524,333</b>	<b>395,441</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	43,725	38,711
Provisions	13	25,538	24,284
<b>Total Current Liabilities</b>		<b>69,263</b>	<b>62,995</b>
<b>Non-Current Liabilities</b>			
Trade and other payables	12	30,031	60,063
Provisions	13	11,748	6,975
<b>Total Non-Current Liabilities</b>		<b>41,779</b>	<b>67,038</b>
<b>Total Liabilities</b>		<b>111,042</b>	<b>130,033</b>
<b>Net Assets</b>		<b>413,291</b>	<b>265,408</b>
<b>Equity</b>			
Issued capital	14	724,815	724,815
Accumulated losses	15	(311,524)	(459,407)
<b>Total Equity</b>		<b>413,291</b>	<b>265,408</b>

The accompanying notes form part of these financial statements

Fleurieu Community Enterprises Limited  
Statement of Changes in Equity  
for the year ended 30 June 2017

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 2015</b>	724,815	(442,298)	282,517
Total comprehensive income for the year	-	(17,109)	(17,109)
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
<b>Balance at 30 June 2016</b>	<b>724,815</b>	<b>(459,407)</b>	<b>265,408</b>
<b>Balance at 1 July 2016</b>	724,815	(459,407)	265,408
Total comprehensive income for the year	-	147,883	147,883
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
<b>Balance at 30 June 2017</b>	<b>724,815</b>	<b>(311,524)</b>	<b>413,291</b>

The accompanying notes form part of these financial statements

Fleurieu Community Enterprises Limited  
Statement of Cash Flows  
for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		727,333	670,081
Payments to suppliers and employees		(662,869)	(659,214)
Interest received		2,691	402
Interest paid		-	(2,222)
<b>Net cash provided by operating activities</b>	16	<b>67,155</b>	<b>9,047</b>
<b>Cash flows from investing activities</b>			
Payments for intangible assets		(36,301)	-
<b>Net cash used in investing activities</b>		<b>(36,301)</b>	<b>-</b>
<b>Net increase in cash held</b>		<b>30,854</b>	<b>9,047</b>
Cash and cash equivalents at the beginning of the financial year		85,308	76,261
<b>Cash and cash equivalents at the end of the financial year</b>	7(a)	<b>116,162</b>	<b>85,308</b>

The accompanying notes form part of these financial statements

# Fleurieu Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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### Note 1. Summary of significant accounting policies

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#### 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 Standard Boards and the *Corporations Act 2001*. The company is a for-profit entity for the purpose of preparing the financial statements.

#### *Compliance with IFRS*

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

#### *Critical accounting estimates*

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

#### *Historical cost convention*

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

#### *Comparative figures*

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

#### *Application of new and amended accounting standards*

There are a number of amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2016, and are therefore relevant for the current financial year.

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

There are also a number of accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2016. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

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

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

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Aldinga Beach, South Australia.

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



# Fleurieu Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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**a) Basis of preparation (*continued*)***Economic dependency - Bendigo and Adelaide Bank Limited (*continued*)*

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

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

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

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

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

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

**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.

# Fleurieu Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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**b) Revenue (*continued*)***Core banking products*

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

*Margin*

Margin is arrived at through the following calculation:

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

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

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

*Commission*

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

*Fee income*

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

*Discretionary financial contributions*

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

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

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

# Fleurieu Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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**b) Revenue (*continued*)***Ability to change financial return*

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

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

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

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

*Monitoring and changing financial return*

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

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

**c) Income tax***Current tax*

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

*Deferred tax*

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

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

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

# Fleurieu Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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**c) Income tax (*continued*)***Deferred tax (continued)*

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

*Current and deferred tax for the period*

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

**d) Employee entitlements**

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

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

**e) Cash and cash equivalents**

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

**f) Trade receivables and payables**

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

**g) Property, plant and equipment**

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

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

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

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

# Fleurieu Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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**h) Intangibles**

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

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

**i) Payment terms**

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

**j) Borrowings**

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

**k) Financial instruments***Recognition and initial measurement*

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

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

*Derecognition*

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

*Classification and subsequent measurement**(i) Loans and receivables*

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

*(ii) Held-to-maturity investments*

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

*(iii) Financial liabilities*

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

*Impairment*

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

# Fleurieu Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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**l) Leases**

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

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

**m) Provisions**

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

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

**n) Contributed equity**

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

**o) Earnings per share**

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

**p) Goods and Services Tax**

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

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

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

# Fleurieu Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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### **Note 2. Financial risk management**

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

# Fleurieu Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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### **Note 3. Critical accounting estimates and judgements**

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

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

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

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

#### *Taxation*

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

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

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

#### *Estimation of useful lives of assets*

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

#### *Impairment of assets*

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

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

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



# Fleurieu Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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

#### *Impairment of assets (continued)*

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

Note 4. Revenue from ordinary activities	2017	2016
	\$	\$
Operating activities:		
- gross margin	456,051	338,401
- services commissions	109,663	164,804
- fee income	57,669	66,677
- market development fund	46,250	50,000
Total revenue from operating activities	<u>669,633</u>	<u>619,882</u>
Non-operating activities:		
- interest received	2,652	400
- other revenue	1,271	800
Total revenue from non-operating activities	<u>3,923</u>	<u>1,200</u>
Total revenues from ordinary activities	<u>673,556</u>	<u>621,082</u>

### Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	8,613	8,613
- leasehold improvements	4,961	4,961
Amortisation of non-current assets:		
- franchise agreement	2,238	1,425
- franchise renewal fee	11,193	7,125
- customer service centre fee	4,500	-
	<u>31,505</u>	<u>22,124</u>
Finance costs:		
- interest paid	<u>-</u>	<u>2,222</u>
Bad debts	<u>767</u>	<u>2,361</u>

# Fleurieu Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

<b>Note 6. Income tax expense/(credit)</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
The components of tax expense/(credit) comprise:		
- Current tax	-	-
- Future income tax benefit attributable to losses	-	(5,257)
- Movement in deferred tax	(1,663)	2,950
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	4,495
- Recoupment of prior year tax losses	11,482	-
- Deferred tax not recognised	-	379
- Over provision of tax in the prior period	-	(2,567)
- Bring to account future income tax benefit attributable to losses	(123,604)	-
	<u>(113,785)</u>	<u>-</u>

The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense/(credit) as follows

Operating profit/(loss)	34,098	(17,109)
Prima facie tax on profit/(loss) from ordinary activities at 27.5% (2016: 28.5%)	9,376	(4,876)
Add tax effect of:		
- non-deductible expenses	443	-
- timing difference expenses	1,663	(381)
	<u>11,482</u>	<u>(5,257)</u>
Movement in deferred tax	(1,663)	2,950
Adjustment to deferred tax to reflect change of tax rate in future periods	-	4,495
Deferred tax not recognised	-	379
Over provision of income tax in the prior year	-	(2,567)
Bring to account future income tax benefit attributable to losses	(123,604)	-
	<u>(113,785)</u>	<u>-</u>

<b>Note 7. Cash and cash equivalents</b>		
Cash at bank and on hand	85,724	60,308
Term deposits	30,438	25,000
	<u>116,162</u>	<u>85,308</u>

The trading account has an approved overdraft limit of \$250,000 with a current interest rate of 3.795%. The overdraft facility was not utilised during the financial year.

### **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	85,724	60,308
Term deposits	30,438	25,000
	<u>116,162</u>	<u>85,308</u>

# Fleurieu Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

<b>Note 8.</b>	<b>Trade and other receivables</b>	<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
Trade receivables		58,963	49,512
Prepayments		14,181	12,335
Other receivables and accruals		55	94
		<u>73,199</u>	<u>61,941</u>

<b>Note 9.</b>	<b>Property, plant and equipment</b>		
Leasehold improvements			
At cost		198,423	198,423
Less accumulated depreciation		(54,773)	(49,812)
		<u>143,650</u>	<u>148,611</u>
Plant and equipment			
At cost		45,333	45,333
Less accumulated depreciation		(19,280)	(10,667)
		<u>26,053</u>	<u>34,666</u>
Total written down amount		<u>169,703</u>	<u>183,277</u>

### Movements in carrying amounts:

Leasehold improvements			
Carrying amount at beginning		148,611	153,572
Additions		-	-
Disposals		-	-
Less: depreciation expense		(4,961)	(4,961)
Carrying amount at end		<u>143,650</u>	<u>148,611</u>
Plant and equipment			
Carrying amount at beginning		34,666	43,279
Additions		-	-
Disposals		-	-
Less: depreciation expense		(8,613)	(8,613)
Carrying amount at end		<u>26,053</u>	<u>34,666</u>
Total written down amount		<u>169,703</u>	<u>183,277</u>

# Fleurieu Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

<b>Note 10. Intangible assets</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Franchise fee		
At cost	32,762	32,762
Less: accumulated amortisation	(24,182)	(21,943)
	<u>8,580</u>	<u>10,819</u>
Renewal processing fee		
At cost	113,814	113,814
Less: accumulated amortisation	(70,910)	(59,718)
	<u>42,904</u>	<u>54,096</u>
Total written down amount	<u>51,484</u>	<u>64,915</u>

### **Note 11. Tax**

#### **Non-Current:**

Deferred tax assets		
- accruals	1,220	1,615
- employee provisions	10,254	8,596
- tax losses carried forward	104,878	116,360
	<u>116,352</u>	<u>126,571</u>
Deferred tax liability		
- accruals	15	26
- property, plant and equipment	2,552	2,941
	<u>2,567</u>	<u>2,967</u>
Net deferred tax asset	<u>113,785</u>	<u>123,604</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>9,819</u>	<u>379</u>

### **Note 12. Trade and other payables**

#### **Current:**

Other creditors and accruals	<u>43,725</u>	<u>38,711</u>
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#### **Non-Current:**

Other creditors and accruals	<u>30,031</u>	<u>60,063</u>
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# Fleurieu Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

Note 13. Provisions	2017	2016
	\$	\$
<b>Current:</b>		
Provision for annual leave	13,240	11,759
Provision for long service leave	12,298	12,525
	<u>25,538</u>	<u>24,284</u>
<b>Non-Current:</b>		
Provision for long service leave	<u>11,748</u>	<u>6,975</u>

Note 14. Contributed equity		
724,815 ordinary shares fully paid (2016: 724,815)	<u>724,815</u>	<u>724,815</u>

Rights attached to shares

(a) *Voting rights*

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

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

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

(b) *Dividends*

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

(c) *Transfer*

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

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

# Fleurieu Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 14. Contributed equity (*continued*)

Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if 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 219. As at the date of this report, the company had 228 shareholders.

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

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

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

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

Note 15. Accumulated losses	2017	2016
	\$	\$
Balance at the beginning of the financial year	(459,407)	(442,298)
Net profit/(loss) from ordinary activities after income tax	147,883	(17,109)
Balance at the end of the financial year	<u>(311,524)</u>	<u>(459,407)</u>

# Fleurieu Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

<b>Note 16. Statement of cash flows</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by operating activities		
Profit/(loss) from ordinary activities after income tax	147,883	(17,109)
Non cash items:		
- depreciation	13,574	13,574
- amortisation	17,931	8,550
Changes in assets and liabilities:		
- increase in receivables	(6,758)	(7,550)
- increase in other assets	(113,785)	-
- increase in payables	2,283	22,995
- increase/(decrease) in provisions	6,027	(11,413)
Net cash flows provided by operating activities	<u>67,155</u>	<u>9,047</u>

### **Note 17. Leases**

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments:

- not later than 12 months	59,608	59,608
- between 12 months and 5 years	-	-
- greater than 5 years	-	-
	<u>59,608</u>	<u>59,608</u>

The Aldinga Beach lease is a non-cancellable lease with a one-year term, with rent payable monthly in advance. The lease comes due on the 31 March 2018. The lease has one one-year extension option available.

The Willunga Customer Service Centre lease is a non-cancellable lease with a one-year term, with rent payable monthly in advance. The lease comes due on 9 April 2018. The lease has one one-year extension option available.

### **Note 18. Auditor's remuneration**

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

- audit and review services - Accru Harris Orchard	6,000	7,920
	<u>6,000</u>	<u>7,920</u>

# Fleurieu Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 19. Director and related party disclosures

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

Ronald Leslie Logan  
 Christopher Michael West  
 Hazel Ann Wainwright  
 Karyn Joy Thomas  
 Anita Jane Bailetti  
 Charles Dominic Rodney Manning  
 Daniel John Roach (*Appointed 26 September 2016*)  
 Eva Szollosi (*Resigned 18 April 2017*)  
 Caleb James Sutherland (*Resigned 24 April 2017*)

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

Directors Shareholdings	2017	2016
Ronald Leslie Logan	10,000	10,000
Christopher Michael West	-	-
Hazel Ann Wainwright	-	-
Karyn Joy Thomas	3,000	3,000
Anita Jane Bailetti	-	-
Charles Dominic Rodney Manning	-	-
Daniel John Roach ( <i>Appointed 26 September 2016</i> )	-	-
Eva Szollosi ( <i>Resigned 18 April 2017</i> )	-	-
Caleb James Sutherland ( <i>Resigned 24 April 2017</i> )	-	-

There was no movement in directors shareholdings during the year.

### Note 20. Key management personnel disclosures

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

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

The board has adopted the **Community Bank®** Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank®** branch at Aldinga Beach, South Australia. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the directors from the Directors' Privilege Package are \$nil for the year ended 30 June 2017 (2016: \$nil).

Note 21. Earnings per share	2017	2016
	\$	\$
(a) Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	147,883	(17,109)
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	724,815	724,815



# Fleurieu Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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**Note 22. Events occurring after the reporting date**

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There have been no events after the end of the financial year that would materially affect the financial statements.

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**Note 23. Contingent liabilities and contingent assets**

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There were no contingent liabilities or contingent assets at the date of this report to affect the financial statements.

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**Note 24. Segment reporting**

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The economic entity operates in the service sector where it facilitates **Community Bank®** services in Aldinga Beach and Willunga, South Australia pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

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**Note 25. Registered office/Principal place of business**

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

Registered Office  
Shop 32, Aldinga Central Shopping Centre  
1 Pridham Boulevard  
Aldinga Beach SA 5173

Principal Place of Business  
Shop 32, Aldinga Central Shopping Centre  
1 Pridham Boulevard  
Aldinga Beach SA 5173

# Fleurieu Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 26. Financial instruments

#### Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	85,524	60,108	30,247	25,000	-	-	-	-	200	200	2.34	0.57
Receivables	-	-	-	-	-	-	-	-	58,963	49,512	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	73,756	98,774	N/A	N/A

#### Net Fair Values

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

#### Credit Risk

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

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

#### Interest Rate Risk

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

#### Sensitivity Analysis

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

As at 30 June 2017, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2017	2016
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	1,158	851
Decrease in interest rate by 1%	(1,158)	(851)
Change in equity		
Increase in interest rate by 1%	1,158	851
Decrease in interest rate by 1%	(1,158)	(851)

# Fleurieu Community Enterprises Limited


## Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



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Ronald Leslie Logan, Chairman

Signed on the 25th of September 2017.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLEURIEU COMMUNITY ENTERPRISES LIMITED**

### **Opinion**

We have audited the financial report of Fleurieu Community Enterprises Limited, which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- + giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year then ended; and
- + complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### **Matters Relating to the Electronic Publication of the Audited Financial Report**

This auditor's report relates to the financial report of Fleurieu Community Enterprises Limited for the year ended 30 June 2017 included on its website. The Company's directors are responsible for the integrity of Fleurieu Community Enterprises Limited's website. We have not been engaged to report on the integrity of the website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

### **Material Uncertainty Regarding Continuation as a Going Concern**

Without qualifying our opinion we draw attention to the Company's accumulated net losses. Notwithstanding this year's profit (after income tax credit) of \$147,883, the Company has accumulated losses of \$311,524 as at 30<sup>th</sup> June 2017.

### **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. 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

### **Responsibilities of the Directors for the Financial Report**

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note X to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and 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 relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities 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. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- + Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- + Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- + Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- + Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- + Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- + We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**ACCRU+ HARRIS ORCHARD**



**BEN WILLINGTON**  
**DIRECTOR**

Dulwich, 26 September 2017