



Annual Report 2017

Fraser Coast Community
Enterprise Limited

ABN 46 116 567 072

Hervey Bay **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2017

The 2016/17 financial year has seen the company continue to grow and start to achieve its goals and purpose. It is very pleasing to be able to announce that strong profits have been achieved in this year.

Whilst community, staffing and general business have and will always challenge the Board and staff in their efforts to grow market share and retail a profitable mix of products and services, a substantial growth in nearly all areas over the past year has meant the company has generated a profit for the year. As in the prior years, we have increased turnover, increased lending activity, and improved customer product usage ratios.

Throughout the year, with the assistance of senior local, regional and state bank staff, the Board has worked very hard, voluntarily giving of their time to implement the strategic decisions outlined in our strategic plan. We will continue to review the plan to ensure we focus on areas that we see as key strategic and operational gains for the company Directors and staff.

The Board and I thank Tim Evans, our Manager, for his efforts, passion and skill. Tim is a major, positive effect on all areas of our company and the Board looks forward to continuing to use his skills to grow our profits and returns to shareholders and community.

A creative and positive marketing campaign is planned for the next 12 months which, along with the pricing policies, product range, service provision and value proposition of the **Community Bank**[®] model together with the Bendigo Bank, will continue to gain customers and increase our regional market share.

I am very proud to announce that for the first time the company has earned a profit that has enabled us to declare a dividend to our shareholders. The Board has decided that a dividend of 2.5 cents per share (unfranked) will be paid out of profits earned in the 2016/17 financial year. I assure everyone that our prime goal is to continue to grow the dividend along with increasing our contribution to community needs.

Shareholders can assist their **Community Bank**[®] branch by using, supporting and advocating the branch and all its services and products. By doing so, you will assist greatly in generating profits for yourselves and the community. Please spread the message, tell people you know to come and talk to our staff and make use of the award winning services and products they offer.

We have been able to attract new Directors to the Board this year and regretfully some have had to resign. I thank all Board members that have given freely of their time, skills, knowledge and experience. I would like also to acknowledge those other outstanding local people who have expressed an interest in becoming members of the Board as and when vacancies arise.

The Board members continue to engage and work with passion, vigour and with the singular aim to achieve our goals. The Board and its committees are working many hours in conjunction with the management and staff of the Bendigo Bank to identify what we can do better so that profits increase for the benefit of our shareholders and community.

The Board sets the policy but our staff are the ones that put it into place and practice. On behalf of the Board, I sincerely thank all the staff for their efforts, support and assistance in the past year. Similarly I acknowledge the regional and various specialist managers we work with throughout the year and thank them for their assistance and guidance.

This company is different because it exists for the benefit of its local community and shareholders. It will achieve its goals if the shareholders and community continue to support it. We are seeing strong evidence of our brand, service and point of difference is gaining traction and awareness in the market.

Chairman's report (continued)

Bendigo Bank is the fifth largest bank in Australia and continues to earn outstanding accolades for its products and services. With this reputation and with their assistance, we will increase awareness of our message and distinct value proposition in the hope that our shareholders and the community that will greatly benefit from its existence will become customers and advocates to spread the word of this unique model to friends and associates.

I would also remind our shareholders that there are shares available for purchase. The shares are available for many reasons and I urge existing shareholders to examine the opportunities available and to spread the word to their associates.

I look forward to working with the current Board, staff and the Bendigo Bank in the coming year as we continue down the challenging road to success.



Neil Canning FCA
Chairperson

Manager's report

For year ending 30 June 2017

It is my pleasure to present the Manager's report for Hervey Bay **Community Bank**[®] Branch for the financial year ending 30 June 2017.

Firstly in relation to staffing, this year did see some change in our staff as we welcomed Danni Krohn and Alex Kruger as full time Customer Service Officers to our team. They have both proved to be a great addition to our team and we look forward to their future careers within the organisation.

Our team now boasts a great cross section of people and skills that has us ideally positioned to continue to deliver outstanding customer-focused services.

From a financial viewpoint, our objective was clear, deliver outcomes that benefit our community and our shareholders, and I believe we have delivered.

Together with the Board we have focused on key areas of the business to ensure we are growing in a way that ensure positive returns to both shareholders and community alike.

These focus areas have been:

- Attracting profitable growth

Sometimes you have to let business go, and this is true even in banking. Understanding the true cost of some customers and the reduction in fees and rates they demand, can leave you in a net negative position from a return perspective. We have carefully looked at our business to ensure the business we write will offer a return.

- Minimising our costs

Reviewing our costs has been a cornerstone of the last 12 months. By rolling back external works completed by contractors and reducing discretionary spending we have managed to reduce our cost of operation further adding to our bottom line.

- Understanding our marketplace

How we attract business is directly linked to the type of customers our product and message resonates with the most. By better understanding exactly who these potential customers are we are better able to tailor our message to attract these customers to our business.

Combined these measures have led to the most successful year the branch has ever had. The business grew by \$14.776 million in the 12 months to 30 June 2017. We attracted 240 new customers and opened 538 new accounts.

We are finally in a position where we can contribute to our community in a meaningful way, and this is only the beginning. With continued focus and profitable growth, we are at the beginning of something amazing for our region.

I am proud of what we are as a branch and our Board have managed to achieve in the last 12 months, and it is a direct result of the commitment and passion shown by both staff and Board alike.

Finally I would like to take this opportunity to thank our shareholders, who have shared our vision for the past 11 years. The **Community Bank**[®] model is only as strong as the foundation it is built on, and for us that foundation is you.

I am excited for the next 12 months as I believe we will continue to grow and deliver great results for community and shareholder alike.

Kindest regards,



Tim Evans
Branch Manager

Directors' report

For the financial year ended 30 June 2017

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

Directors

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

Neil Arthur Owen Canning

Chairman

Finance & Administration Manager

Qualifications, experience and expertise: Neil attended school and university in Toowoomba, attaining a Bachelor of Business degree from the University of Southern Queensland in 1978. He began work as a public accountant in Toowoomba and then Mackay between 1976 and 1991. He became a partner in a chartered accountancy practice, Cannin Lynch McGrath, in Hervey Bay in 1992 and remained a partner until selling his interests in 2010. He was also a shareholder and director in companies that operated in financial planning, mortgage brokering and Business consulting. Since selling his interest in these companies, he was employed as a business advisor conducting business reviews and analysis under the Federal Governments Enterprise Connect business assistance program. He is currently employed on a full-time basis as the Finance & Administration Manager by the Hervey Bay Neighbourhood Centre Inc. and on a part-time basis with one small business in the Fraser Coast area, providing accounting and business advisory services. He has been a member of two Rotary Clubs, Port of Mackay Rotary Club and Rotary Club of Hervey Bay. He has held many directors and management committee positions in these clubs including three terms as President of the Hervey Bay Club. He was honoured to receive a Paul Harris Fellowship for his contributions to the Club and the community. He has also been involved with local sporting clubs, outrigger paddling and junior rugby league, as participant, coach, committee member and president. Neil loves a game of golf as often as he can.

Special responsibilities: Audit and Risk Committee, Human Resources Committee, Building Relocation Committee

Interest in shares: 5,000

Peita Josephine Bates

Secretary

Teacher

Qualifications, experience and expertise: Past - business consultant. Bachelor of Business & Graduate Diploma in Teaching & Learning. Previous Company Secretary.

Special responsibilities: Chair Marketing Committee

Interest in shares: Nil

David John Lewis

Director

Councillor

Qualifications, experience and expertise: Currently Councillor, Fraser Coast Regional Council and Consultant Lawyer. Previously solicitor in private practice in Hervey Bay and part-time member of QLD Civil and Administrative Tribunal, part-time lecturer USQ. Qualifications: Bachelor of Arts, Bachelor of Laws. Member Hervey Bay Boat Club Yacht Squadron. Previously President Hervey Bay City Musicians Inc.

Special responsibilities: Human Resources Committee

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Justin Maxwell Geldard

Director

Solicitor

Qualifications, experience and expertise: Bachelor Laws and Business (Banking & Finance) from Queensland University of Technology. Admitted solicitor Supreme Court Queensland, High Court of Australia. Member of Rally for a Cause Incorporated. Coach U10 Hervey Bay Cricket. Chairperson of Hervey Bay Seagulls rugby league disciplinary tribunal.

Special responsibilities: Governance Committee

Interest in shares: Nil

Debra Anne Potts

Director

Chartered Accountant

Qualifications, experience and expertise: Masters of Taxation, Bachelor of Commerce USQ. Chartered Accountant Fellow. Partner at CLM Chartered Accountants. Co-founder of Bay Business Women. Previous executive board member Hervey Bay Chamber of Commerce.

Special responsibilities: Audit & Risk Committee

Interest in shares: Nil

Scott Christopher Rowe

Director

CEO RDA Wide Bay Burnett

Qualifications, experience and expertise: Current CEO RDA Wide Bay Burnett. Former manager enterprise, FC opportunities. Former editor, Hervey Bay Independent Newspaper. Former President, Hervey Bay Seagulls RLFC. Bachelor of Arts University of QLD. Master of Business Administration. Central Queensland Cluster Representative.

Special responsibilities: Marketing Committee

Interest in shares: Nil

Gerard O'Connell

Director (Appointed 27 March 2017)

Occupation: Commercial Manager

Qualifications, experience and expertise: Bachelor of Business (Accounting). Bachelor of Theology. Local Government Member. St Mary's Parish Finance Committee. Motor vehicle industry. Hospitality, retail and business consultancy.

Special responsibilities: Governance & Audit Committee

Interest in shares: Nil

Simon Done

Director (Appointed 27 March 2017)

Principal

Qualifications, experience and expertise: Simon is the Principal of Maryborough State High School and President of the Fraser Coast Education Alliance.

Special responsibilities: Nil

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Kristie Sue Kee

Director (Appointed 27 March 2017)

Retired

Qualifications, experience and expertise: Bachelor of Arts, Masters of Educational Administration. President, Hervey Bay Neighbourhood Committee. Secretary, Wide Bay Burnett Regional Development Australia. Member, Wide Bay Sexual Assault Services Inc.

Special responsibilities: Governance Committee

Interest in shares: Nil

Felicity Lee-Ann Holder

Director (Appointed 29 May 2017)

Student

Qualifications, experience and expertise: Felicity recently completed my Bachelor of Business through the USQ, with a double major in marketing and Management/Leadership.

Special responsibilities: Nil

Interest in shares: Nil

Peter Donald Smith

Director (Appointed 26 June 2017)

Teacher

Qualifications, experience and expertise: Peter is an English teacher at Fraser Coast Anglican College located in Hervey Bay, Queensland.

Special responsibilities: Nil

Interest in shares: Nil

Genevieve Louise De Szoeka

Director (Appointed 26 June 2017)

Occupation: Financial Planner

Qualifications, experience and expertise: Vocation: Financial Planner / Co-Proprietor Retire Invest. Wide Bay - Authorised Representative since 2005. Qualifications: Advanced Diploma Financial Services, and additional studies for SMSF, margin lending & gearing.

Special responsibilities: Nil

Interest in shares: Nil

Adam Richard Cameron Perrier

Director (Resigned 29 May 2017)

Architect

Qualifications, experience and expertise: Bachelor of Design Studies, Bachelor of Architecture. Been involved with the **Community Bank**[®] branch for four years, and was on the school council of the Fraser Coast Anglican College for three years. Adam also served on the council for the Hervey Bay Chamber of Commerce for four years.

Special responsibilities: Marketing Committee

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Kim Joanne Parnell

Director (Resigned 29 May 2017)

Small Business Owner

Qualifications, experience and expertise: 15 years experience in retailing in various roles. Five years as a volunteer at Narangba Neighbourhood centre as Secretary, Treasurer and Co-ordinator. Three years volunteering in the development of a park. Volunteering for three years in the Events department of the then Caboolture Shire Council organising the Urban Country Music Festival.

Special responsibilities: Marketing Committee

Interest in shares: Nil

Lorna Ann Mary Sutton

Director (Resigned 26 September 2016)

Chartered Accountant

Qualifications, experience and expertise: Bachelor of Commerce (Accounting and Finance), Graduate Diploma ICAA, Company Treasurer. Past and present member of local sporting clubs, Board Member of Fraser Coast Anglican College Foundation Ltd.

Special responsibilities: Audit and Risk Committee

Interest in shares: Nil

Sandra Leah Holebrook

Director (Resigned 28 November 2016)

Business Owner

Qualifications, experience and expertise: Chartered Accountant - CANZA, Graduate Diploma in Marketing Management, licensed Real Estate Agent, Vice President Hervey Bay Chamber of Commerce, non-executive Director Regional Housing Limited, Secretary Youth Care Hervey Bay Incorporate, Chair Planning and Development Committee RHL. Deputy Chair of Sports and Project Community Committee.

Special responsibilities: Business Development Committee, Marketing Committee

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.

Company Secretary

The company secretary is Peita Josephine Bates. Peita was appointed to the position of secretary on 27 February 2012.

Peita has worked in a variety of roles that focused on corporate governance and community engagement activities in both the public and private sectors. Peita has recently completed a Bachelor of Business through University of Southern Queensland with majors in Management and Leadership as well as Information Technology Service Management.

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.

Directors' report (continued)

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 2017 \$	Year ended 30 June 2016 \$
323,727	9,017

Dividends

	Year ended 30 June 2017	
	Cents	\$
Final dividends recommended:	2.5	20,250

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' report (continued)

Directors' meetings

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

	Directors' Meetings	
	Eligible	Attended
Neil Arthur Owen Canning	12	11
Peita Josephine Bates	12	12
David John Lewis	12	9
Justin Maxwell Geldard	12	7
Debra Anne Potts	12	10
Scott Christopher Rowe	12	9
Gerard O'Connell (Appointed 27 March 2017)	6	3
Simon Done (Appointed 27 March 2017)	6	4
Kristie Sue Kee (Appointed 27 March 2017)	4	1
Felicity Lee-Ann Holder (Appointed 29 May 2017)	-	-
Peter Donald Smith (Appointed 26 June 2017)	-	-
Genevieve Louise De Szoeki (Appointed 26 June 2017)	-	-
Adam Richard Cameron Perrier (Resigned 29 May 2017)	10	6
Kim Joanne Parnell (Resigned 29 May 2017)	10	7
Lorna Ann Mary Sutton (Resigned 26 September 2016)	2	2
Sandra Leah Holebrook (Resigned 28 November 2016)	5	4

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

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

Directors' report (continued)

Non audit services (continued)

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 12.

Signed in accordance with a resolution of the board of directors at Hervey Bay, Queensland on 20 September 2017.



**Neil Arthur Owen Canning,
Chairman**

Auditor's independence declaration



Partners in success

Chartered Accountants

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

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Fraser Coast Community Enterprise Limited

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 29 September 2017

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

David Hutchings
Lead Auditor

Financial statements

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

	Notes	2017 \$	2016 \$
Revenue from ordinary activities	4	667,927	574,842
Employee benefits expense		(321,719)	(334,880)
Charitable donations, sponsorship, advertising and promotion		(79,736)	(25,096)
Occupancy and associated costs		(45,890)	(55,329)
Systems costs		(18,473)	(19,010)
Depreciation and amortisation expense	5	(34,166)	(39,370)
Finance costs	5	(9,991)	(10,083)
General administration expenses		(89,982)	(82,057)
Profit before income tax credit		67,970	9,017
Income tax credit	6	255,757	-
Profit after income tax credit		323,727	9,017
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		323,727	9,017
Earnings per share		¢	¢
Basic earnings per share	22	39.97	1.11

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2017

	Notes	2017 \$	2016 \$
ASSETS			
Current Assets			
Trade and other receivables	7	61,162	42,306
Total Current Assets		61,162	42,306
Non-Current Assets			
Property, plant and equipment	8	103,179	119,200
Intangible assets	9	54,225	67,781
Deferred tax asset	11	255,757	-
Total Non-Current Assets		413,161	186,981
Total Assets		474,323	229,287
LIABILITIES			
Current Liabilities			
Trade and other payables	11	139,717	38,271
Borrowings	12	132,388	274,152
Provisions	13	28,278	23,792
Total Current Liabilities		300,383	336,215
Non-Current Liabilities			
Trade and other payables	11	29,824	44,735
Borrowings	12	21,935	25,953
Provisions	13	1,588	5,268
Total Non-Current Liabilities		53,347	75,956
Total Liabilities		353,730	412,171
Net Assets/(Net Liabilities)		120,593	(182,884)
Equity			
Issued capital	14	789,732	789,732
Accumulated losses	15	(669,139)	(972,616)
Total Equity		120,593	(182,884)

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015	789,732	(981,633)	(191,901)
Total comprehensive income for the year	-	9,017	9,017
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2016	789,732	(972,616)	(182,884)
Balance at 1 July 2016	789,732	(972,616)	(182,884)
Total comprehensive income for the year	-	323,727	323,727
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(20,250)	(20,250)
Balance at 30 June 2017	789,732	(669,139)	120,593

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		685,075	639,151
Payments to suppliers and employees		(531,845)	(573,005)
Interest paid		(9,991)	(10,083)
Income taxes paid		806	-
Net cash provided by operating activities	16	144,045	56,063
Cash flows from investing activities			
Proceeds from property, plant and equipment		27,727	(790)
Payments for intangible assets		-	(13,556)
Net cash provided by/(used in) investing activities		27,727	(14,346)
Cash flows from financing activities			
Repayment of borrowings		(33,718)	(18,690)
Net cash used in financing activities		(33,718)	(18,690)
Net increase in cash held		138,054	23,027
Cash and cash equivalents at the beginning of the financial year		(259,998)	(283,025)
Cash and cash equivalents at the end of the financial year		(121,944)	(259,998)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2017

Note 1. Summary of significant accounting policies

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting 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 Hervey Bay, Queensland.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Commission

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

Fee income

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

Discretionary financial contributions

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

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

It is for the board to decide how to use the MDF.

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

Ability to change financial return

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

- leasehold improvements 40 years
- plant and equipment 2.5 - 40 years
- motor vehicles 3 - 5 years

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Financial liabilities

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

Impairment

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

l) Leases

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

l) Leases (continued)

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

m) Provisions

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

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Taxation

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

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

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

Estimation of useful lives of assets

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

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.

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.

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- gross margin	450,136	316,692
- services commissions	105,140	160,678
- fee income	50,851	46,822
- market development fund	35,000	50,000
Total revenue from operating activities	641,127	574,192
Non-operating activities:		
- other revenue	-	650
- profit on sale of non-current assets	26,800	-
Total revenue from non-operating activities	26,800	650
Total revenues from ordinary activities	667,927	574,842

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	3,323	21,929
- leasehold improvements	3,488	3,556
- motor vehicles	13,799	-

Amortisation of non-current assets:

- franchise agreement	2,259	2,314
- franchise renewal fee	11,297	11,571
	34,166	39,370

Finance costs:

- interest paid	7,889	6,930
- interest paid on motor vehicle loan	2,102	3,153
	9,991	10,083

Bad debts	54	558
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Notes to the financial statements (continued)

	2017 \$	2016 \$
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Note 6. Income tax expense/(credit)

The components of tax expense/(credit) comprise:

- Movement in deferred tax	8,389	4,252
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	9,980
- Recoupment of prior year tax losses	10,303	2,191
- Future income tax benefit attributable to losses brought to account	(274,449)	-
- Tax losses not brought to account	-	(12,572)
- Under/(Over) provision of tax in the prior period	-	(3,851)
	(255,757)	-

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

Operating profit	67,970	9,017
Prima facie tax on profit from ordinary activities at 27.5% (2016: 28.5%)	18,692	2,570
Add tax effect of:		
- non-deductible expenses	-	21
- timing difference expenses	(1,019)	(400)
- other deductible expenses	(7,370)	-
	10,303	2,191
Movement in deferred tax	8,389	4,252
Adjustment to deferred tax to reflect change of tax rate in future periods	-	9,980
Future income tax benefit attributable to losses brought to account	(274,449)	(12,572)
Under/(Over) provision of income tax in the prior year	-	(3,851)
	(255,757)	-

Note 7. Trade and other receivables

Trade receivables	54,062	31,293
Prepayments	6,023	9,622
Other receivables and accruals	1,077	1,391
	61,162	42,306

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 8. Property, plant and equipment		
Leasehold improvements		
At cost	106,635	106,635
Less accumulated depreciation	(52,154)	(48,666)
	54,481	57,969
Plant and equipment		
At cost	87,066	87,066
Less accumulated depreciation	(67,900)	(64,577)
	19,166	22,489
Motor vehicles		
At cost	49,056	106,196
Less accumulated depreciation	(19,524)	(67,454)
	29,532	38,742
Total written down amount	103,179	119,200
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	57,969	61,525
Additions	-	-
Disposals	-	-
Less: depreciation expense	(3,488)	(3,556)
carrying amount at end	54,481	57,969
Plant and equipment		
Carrying amount at beginning	22,489	26,020
Additions	-	790
Disposals	-	-
Less: depreciation expense	(3,323)	(4,321)
Carrying amount at end	19,166	22,489
Motor vehicles		
Carrying amount at beginning	38,742	56,350
Additions	23,698	-
Disposals	(19,109)	-
Less: depreciation expense	(13,799)	(17,608)
Carrying amount at end	29,532	38,742
Total written down amount	103,179	119,200

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 9. Intangible assets		
Franchise fee		
At cost	11,297	11,297
Less: accumulated amortisation	(2,259)	-
	9,038	11,297
Renewal processing fee		
At cost	56,484	56,484
Less: accumulated amortisation	(11,297)	-
	45,187	56,484
Total written down amount	54,225	67,781

Note 10. Tax

Non-Current:

Deferred tax assets		
- accruals	743	-
- employee provisions	8,213	-
- tax losses carried forward	260,063	-
	269,019	-
Deferred tax liability		
- property, plant and equipment	13,262	-
	13,262	-
Net deferred tax asset	255,757	-
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income.	(255,757)	-

Note 11. Trade and other payables

Current:

Trade creditors	33,058	17,310
Other creditors and accruals	106,659	20,961
	139,717	38,271
Non-Current:		
Other creditors and accruals	29,824	44,735

Notes to the financial statements (continued)

	Note	2017 \$	2016 \$
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Note 12. Borrowings

Current:

Bank overdrafts		121,944	259,998
Chattel mortgage	17	10,444	14,154
		132,388	274,152

Non-Current:

Chattel mortgage	17	21,935	25,953
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Note 11.(a) Reconciliation to cash flow statement

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

Bank overdraft	(121,944)	(259,998)
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The chattel mortgages are held with Bendigo & Adelaide Bank Limited and are repayable over five years (due between December 2018 and February 2021), attracting an average interest rate of between 4.99% and 6.60%. The chattel mortgages are secured by a fixed and floating charge over the company's assets.

The company has an approved overdraft facility of \$400,000. Interest is charged at the commercial interest rate as per agreement with franchisor (currently 3.795%). The overdraft is secured by a fixed and floating charge over the company's assets.

	2017 \$	2016 \$
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Note 13. Provisions

Current:

Provision for annual leave	16,514	13,295
Provision for long service leave	11,764	10,497
	28,278	23,792

Non-Current:

Provision for long service leave	1,588	5,268
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Note 14. Contributed equity

810,000 ordinary shares fully paid (2016: 810,000)	810,000	810,000
Less: equity raising expenses	(20,268)	(20,268)
	789,732	789,732

Notes to the financial statements (continued)

Note 14. Contributed equity (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 225. As at the date of this report, the company had 239 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 14. Contributed equity (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.

	2017 \$	2016 \$
Note 15. Accumulated losses		
Balance at the beginning of the financial year	(972,616)	(981,633)
Net profit from ordinary activities after income tax	323,727	9,017
Dividends paid or provided for	(20,250)	-
Balance at the end of the financial year	(669,139)	(972,616)

Note 16. 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	323,727	9,017
Non cash items:		
- depreciation	20,610	25,485
- amortisation	13,556	13,885
- profit on sale of asset	(26,800)	-
- donation of asset recognised as expense	18,182	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(18,856)	1,119
- (increase)/decrease in other assets	(255,757)	-
- increase/(decrease) in payables	68,577	3,190
- increase/(decrease) in provisions	806	3,367
Net cash flows provided by operating activities	144,045	56,063

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 17. Leases		
Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	12,115	16,679
- between 12 months and 5 years	21,935	25,953
Minimum lease payments	34,050	42,632
Less future finance charges	(1,671)	(2,525)
Present value of minimum lease payments	32,379	40,107

The chattel mortgage on the Camry is held with Bendigo & Adelaide Bank Limited and is repayable over five years (due February 2021), attracting an average interest rate of 4.994%. The chattel mortgage is secured by a fixed and floating charge over the company's assets.

The chattel mortgage on the Triton is held with Bendigo & Adelaide Bank Limited and is repayable over 5 years (due December 2018), attracting an average interest rate of 6.60%. The chattel mortgage is secured by a fixed and floating charge over the company's assets.

	2017 \$	2016 \$
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	29,076	29,069
- between 12 months and 5 years	82,382	111,429
	111,458	140,498

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease was renewed in May 2016.

Note 18. Auditor's remuneration

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

- audit and review services	5,300	5,100
- share registry services	1,885	1,800
- non audit services	3,050	2,990
	10,235	9,890

Notes to the financial statements (continued)

Note 19. Director and related party disclosures

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

Neil Arthur Owen Canning
 Peita Josephine Bates
 David John Lewis
 Justin Maxwell Geldard
 Debra Anne Potts
 Scott Christopher Rowe
 Gerard O'Connell (Appointed 27 March 2017)
 Simon Done (Appointed 27 March 2017)
 Kristie Sue Kee (Appointed 27 March 2017)
 Felicity Lee-Ann Holder (Appointed 29 May 2017)
 Peter Donald Smith (Appointed 26 June 2017)
 Genevieve Louise De Szoeki (Appointed 26 June 2017)
 Adam Richard Cameron Perrier (Resigned 29 May 2017)
 Kim Joanne Parnell (Resigned 29 May 2017)
 Lorna Ann Mary Sutton (Resigned 26 September 2016)
 Sandra Leah Holebrook (Resigned 28 November 2016)

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.

	2017	2016
Directors' Shareholdings		
Neil Arthur Owen Canning	5,000	5,000
Peita Josephine Bates	-	-
David John Lewis	-	-
Justin Maxwell Geldard	-	-
Debra Anne Potts	-	-
Scott Christopher Rowe	-	-
Gerard O'Connell (Appointed 27 March 2017)	-	-
Simon Done (Appointed 27 March 2017)	-	-
Kristie Sue Kee (Appointed 27 March 2017)	-	-
Felicity Lee-Ann Holder (Appointed 29 May 2017)	-	-
Peter Donald Smith (Appointed 26 June 2017)	-	-
Genevieve Louise De Szoeki (Appointed 26 June 2017)	-	-
Adam Richard Cameron Perrier (Resigned 29 May 2017)	-	-
Kim Joanne Parnell (Resigned 29 May 2017)	-	-
Lorna Ann Mary Sutton (Resigned 26 September 2016)	-	-
Sandra Leah Holebrook (Resigned 28 November 2016)	-	-

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

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 20. Dividends paid or provided		
a. Dividends proposed and recognised as a liability		
Current year final dividend		
Unfranked dividend 2.5 cents (2016: nil cents) per share	20,250	-

Note 21. Key management personnel disclosures

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

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

Community Bank® Directors' Privileges Package

The board has adopted the **Community Bank®** Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank®** branch at Fraser Coast. 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).

	2017 \$	2016 \$
Note 22. Earnings per share		
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	323,727	9,017
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	810,000	810,000

Note 23. Events occurring after the reporting date

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

Note 24. Contingent liabilities and contingent assets

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

Note 25. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Hervey Bay and surrounding areas, Queensland pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Notes to the financial statements (continued)

Note 26. Registered office/Principal place of business

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

Registered Office

Shop 9-55-59 Main Street
Pialba QLD 4655

Principal Place of Business

Shop 9-55-59 Main Street
Pialba QLD 4655

Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 %	2016 %
Financial assets												
Receivables	-	-	-	-	-	-	-	-	54,062	31,293	N/A	N/A
Financial liabilities												
Interest bearing liabilities	121,944	259,998	10,444	14,154	21,935	25,953	-	-	-	-	3.99	3.11
Payables	-	-	-	-	-	-	-	-	33,058	17,310	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Notes to the financial statements (continued)

Note 27. Financial instruments (continued)

Sensitivity Analysis

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

As at 30 June 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%	(1,543)	(3,001)
Decrease in interest rate by 1%	1,543	3,001
Change in equity		
Increase in interest rate by 1%	(1,543)	(3,001)
Decrease in interest rate by 1%	1,543	3,001

Directors' declaration

In accordance with a resolution of the directors of Fraser Coast Community Enterprise 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.



Neil Arthur Owen Canning,
Chairman

Signed on the 20th of September 2017.

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 Fraser Coast Community Enterprise Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Fraser Coast Community Enterprise Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards.

What we have audited

Fraser Coast Community Enterprise 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.

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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: 29 September 2017



David Hutchings
Lead Auditor

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