2018
Annual Report

Fraser Coast Community Enterprise Limited

ABN 46 116 567 072

Hervey Bay **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2018

This last financial year has been a year of both challenge and exciting growth and service provision not just for our **Community Bank**® branch, but for the whole of our region.

Our Bank has continued to grow, whilst at the same time, provided first-class integrated services for our customers and, on behalf of our customers, increased our contribution and support of our local community.

Following last year's Annual General Meeting, I was honored to be elected as Chair of the **Community Bank**® company. In succeeding Neil Canning, I wish to pay tribute to his many years of service to the Bank and particularly to the Board in his role as Chair. Neil has agreed to remain on the Board in the capacity of Treasurer and continues to bring high-level financial advice as well as community and corporate skills to this forum.

Throughout this year as circumstances presented, a number of our hard working and dedicated Board members resigned from active service to the Board. But thankfully continue to offer support for our activities and the Bank in general. We thank them for their efforts and time.

Following on, we have been very fortunate to both attract and retain a number of very skilled and committed local people to serve on our Board. And have the added advantage of others actively considering joining the Board to broaden and advance our governance and representation of the community we serve.

I would like to personally thank the past and current Board members for their expertise, time spent and diligence in their roles. These are volunteers and we are all grateful for such expert and community-minded service.

Importantly, notwithstanding the work of the Board, it is our staff who deserve the greatest thanks and appreciation.

Our Manager, Tim Evans and his whole team are an extremely professional and service-oriented group. They have blended together to provide a great customer experience and fulfill the wishes and aspirations of our clients and key stakeholders. As a Board of Directors we are very proud and grateful of Tim and the team.

Without seeking accolades, the **Community Bank**® branch, thanks to our staff, was recognised at this year's regional awards and has received high commendation from the Bank's regional management.

We wish to thank the senior, regional and state bank staff who continue to offer their assistance and expertise to our Board, our staff and to assist in achieving the aspirations of the **Community Bank**® branch.

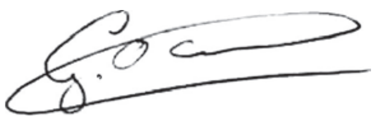
Although the major banking sector has attracted much publicity over the last year. It is very pleasing that our **Community Bank**® branch under the auspice of Bendigo Bank, continues to meet the challenges of an ever-changing market, necessity for growth and a high standard of customer service. Our expanded presence in Maryborough, renewed focus on business banking, increasing of business development and customer capacity and enhancing our community awareness and engagement, means we value our customers, our region and the welfare of our community.

This year's Financial Statements highlight growth, profitability and returns to our customers and shareholders alike. As stakeholders we can be proud of these achievements.

Finally, and most importantly, I thank our loyal customers and committed shareholders. Without your support and investment we could not achieve such outstanding results and give back so much to the community.

Please bear in mind the opportunity to increase your banking needs with us and chance to own shares in the **Community Bank**® branch and be a further part of our joint success.

I look forward to continuing to work with the whole Board, staff and Bendigo and Adelaide Bank Limited as we grow our business, our success and our region.



Gerard O'Connell
Chair

Manager's report

For year ending 30 June 2018

It is my pleasure to present the Manager's report for the Hervey Bay **Community Bank**® Branch for the year ending 30 June 2018.

The last financial year has seen our business go from strength to strength, posting record profits and growth, whilst continuing to deliver outstanding results for our customers and community.

In a year full of so many highlights, I wanted to take some time to call out a few that have really made the last 12 months something to remember.

Firstly, in February this year we opened our Agency site in Maryborough in conjunction with our Partners Suthers George Lawyers. This is a first and important step toward developing our business across our region to be a truly Fraser Coast entity. We have high hopes that one day soon we will be able to announce the conversion of the Agency into the Maryborough **Community Bank**® Branch.

More recently I attended the regional awards for the Sunshine Coast and I am pleased to announce we were named Runner Up in the branch of the year. This is a fantastic result for our team and recognition of the tireless work completed by my staff and the Board on a consistent basis.

Lastly, we are growing, due to the continued expansion of our business, and our desire to ensure that our service delivery does not suffer, we have made the decision to expand our workforce. We hope to have some new faces on board soon.

Our results over the past 12 months have seen us able to deliver over $40,000 in community sponsorships back to our community to 14 very deserving organisations. This is a number that has continued to grow over the past two years, and one we want to see continue to grow into the future.

We operate in a densely populated marketplace, and to continue to remain relevant we must ensure that we never lose sight of our point of difference. Whilst our competitors continue to contract and remove the human element, we must ensure that we retain this facet of our business and offer our customers solutions on a local level.

A business is only as good as its people and I am happy to say our people are the cornerstone of our success. Linda, Kylie, Danni and Alex are always ready to help and to offer a smile and some warm conversation to our customers. It is through their efforts we continue to exceed the expectations of our customers.

It's both rewarding and a pleasure to be part of a great team that gives their all to provide the service to our customers and the community.

We have been working toward reshaping our business and looking to the future of banking whilst keeping a keen eye on what has made our business successful. Customers and community will always be at the heart of our decisions, ensuring we stay connected to our region.

I am excited for what the year ahead will bring, and equally excited by the positive outcomes we hope to deliver to our region, our customers and our shareholders.

Kindest regards,

Tim Evans
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2018

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

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

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

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

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

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

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

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

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

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

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

Robert Musgrove
Bendigo and Adelaide Bank

Directors' report

For the financial year ended 30 June 2018

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

Directors

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

Gerard O'Connell
Chairman
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

Neil Arthur Owen Canning
Treasurer
Occupation: 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 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.
Special responsibilities: Audit and Risk Committee, Human Resources Committee, Building Relocation Committee
Interest in shares: 5,000

David John Lewis
Director
Occupation: 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

Justin Maxwell Geldard
Director
Occupation: Solicitor
Qualifications, experience and expertise: Bachelor Laws and Business (Banking & Finance) from Queensland University of Technology. Admitted as practioner of Queensland Supreme Court, High Court of Australia. Member of Family Lawyers Association and Queensland Collaborative Lawyers. President of Hervey Bay Cricket Association. Manager of Hervey Bay OzTag Representative team and Chairperson of Hervey Bay Seagulls judicial tribunal.
Special responsibilities: Governance Committee
Interest in shares: Nil

Directors *(continued)*

Kirsti Sue Kee
Director
Occupation: 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

Peter Donald Smith
Director
Occupation: Small Business Owner
Qualifications, experience and expertise: Peter has had a long career in Local Government with over 15 years at an Executive level. Since leaving local government in 2017, Peter has established a consultancy business in Hervey Bay. Peter holds a Bachelor of Business.
Special responsibilities: Company Secretary
Interest in shares: Nil

Genevieve Louise De Szoeke
Director
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: Human Resources Committee
Interest in shares: Nil

Peita Josephine Bates
Director
Occupation: Teacher
Qualifications, experience and expertise: Having previously worked in the public sector and been self-employed, Peita brought a range of corporate governance and marketing knowledge to the board. Her community involvement spans many years and covers including education and community services. Peta hold qualifications in Business, IT, Education and Government Management. Peita is now working in the secondary education sector.
Special responsibilities: Marketing Committee
Interest in shares: Nil

Simon Done
Director
Occupation: 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

Scott Christopher Rowe
Director *(Resigned 30 June 2018)*
Occupation: 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

Directors *(continued)*

Felicity Lee-Ann Holder
Director (Resigned 29 January 2018)
Occupation: 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

Debra Anne Potts
Director *(Resigned 27 November 2017)*
Occupation: 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

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 ceased as company secretary on 22 September 2017.

The company secretary is Peter Donald Smith. Peter was appointed to the position of secretary on 22 September 2017.

Peter has worked in a variety of management and executive roles in Local Government that focused on corporate governance, community development and town planning. Peter holds a Bachelor of Business and currently operates a consultancy business.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2018 $	Year ended 30 June 2017 $
140,928	67,970

Dividends

Dividends	Year ended 30 June 2018 Cents	$
Dividends paid in the year:		
- As recommended in the prior year report	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' meetings

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

	Directors' Meetings	
	Eligible	Attended
Gerard O'Connell	12	10
Neil Arthur Owen Canning	12	11
David John Lewis	12	6
Justin Maxwell Geldard	12	7
Kirsti Sue Kee	12	8
Peter Donald Smith	12	12
Genevieve Louise De Szoeke	12	12
Peita Josephine Bates *(Resigned 27 July 2018)*	12	12
Simon Done *(Resigned 27 July 2018)*	12	6
Scott Christopher Rowe *(Resigned 30 June 2018)*	12	12
Felicity Lee-Ann Holder *(Resigned 29 January 2018)*	7	5
Debra Anne Potts *(Resigned 27 November 2017)*	6	6

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*.

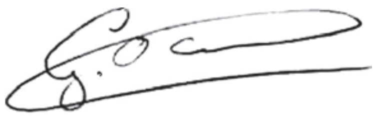
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- 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 10.

Signed in accordance with a resolution of the board of directors at Hervey Bay, Queensland on 27 September 2018.



Gerard O'Connell, 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 2018, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 27 September 2018

David Hutchings
Lead Auditor

Taxation | Audit | Business Services

Financial statements

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2018

	Notes	2018 $	2017 $
Revenue from ordinary activities	4	727,332	667,927
Employee benefits expense		(379,969)	(321,719)
Charitable donations, sponsorship, advertising and promotion		(19,972)	(79,736)
Occupancy and associated costs		(41,979)	(45,890)
Systems costs		(19,492)	(18,473)
Depreciation and amortisation expense	5	(31,024)	(34,166)
Finance costs	5	(6,212)	(9,991)
General administration expenses		(87,756)	(89,982)
Profit before income tax (expense)/credit		**140,928**	**67,970**
Income tax (expense)/credit	6	(38,755)	255,757
Profit after income tax (expense)/credit		**102,173**	**323,727**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**102,173**	**323,727**
Earnings per share		¢	¢
Basic earnings per share	22	12.61	39.97

The accompanying notes form part of these financial statements.

Balance Sheet

as at 30 June 2018

	Notes	2018 $	2017 $
ASSETS			
Current assets			
Trade and other receivables	7	56,496	61,162
Total current assets		**56,496**	**61,162**
Non-current assets			
Property, plant and equipment	8	103,564	103,179
Intangible assets	9	40,668	54,225
Deferred tax asset	11	217,002	255,757
Total non-current assets		**361,234**	**413,161**
Total assets		**417,730**	**474,323**
LIABILITIES			
Current liabilities			
Trade and other payables	11	43,320	139,717
Borrowings	12	80,770	132,388
Provisions	13	37,876	28,278
Total current liabilities		**161,966**	**300,383**
Non-current liabilities			
Trade and other payables	11	14,912	29,824
Borrowings	12	13,867	21,935
Provisions	13	4,219	1,588
Total non-current liabilities		**32,998**	**53,347**
Total Liabilities		**194,964**	**353,730**
Net assets		**222,766**	**120,593**
EQUITY			
Issued capital	14	789,732	789,732
Accumulated losses	15	(566,966)	(669,139)
Total equity		**222,766**	**120,593**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

for the year ended 30 June 2018

	Notes	Issued capital $	Accumulated losses $	Total equity $
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	-	(20,250)	(20,250)
Balance at 30 June 2017		**789,732**	**(669,139)**	**120,593**
Balance at 1 July 2017		789,732	(669,139)	120,593
Total comprehensive income for the year		-	102,173	102,173
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	20	-	-	-
Balance at 30 June 2018		**789,732**	**(566,966)**	**222,766**

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the year ended 30 June 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		806,498	685,075
Payments to suppliers and employees		(687,586)	(516,933)
Interest paid		(6,212)	(9,991)
Income taxes paid		-	806
Net cash provided by operating activities	16	**112,700**	**158,957**
Cash flows from investing activities			
Proceeds from property, plant and equipment		(17,852)	27,727
Payments for intangible assets		(14,912)	(14,912)
Net cash provided by/(used in) investing activities		**(32,764)**	**12,815**
Cash flows from financing activities			
Repayment of borrowings		(13,365)	(33,718)
Dividends paid	20	(20,250)	-
Net cash used in financing activities		**(33,615)**	**(33,718)**
Net increase in cash held		**46,321**	**138,054**
Cash and cash equivalents at the beginning of the financial year		(121,944)	(259,998)
Cash and cash equivalents at the end of the financial year	12 (a)	**(75,623)**	**(121,944)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2018

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

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

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

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

AASB 16 Leases is effective for annual periods beginning on or after 1 January 2019. The standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The company has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend on future economic conditions, including the company's borrowing rate at 1 January 2019, the composition of the lease portfolio at that date, the latest assessment of whether the company will exercise any lease renewal options and the extent to which the company chooses to use practical expedients and recognition exemptions.

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

a) Basis of preparation *(continued)*

Application of new and amended accounting standards (continued)

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating lease of its branch. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating lease amount to $82,382, on an undiscounted basis (see Note 17).

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Hervey Bay, Queensland.

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.

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

b) Revenue

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

Revenue calculation

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Commission

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

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.

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

b) Revenue *(continued)*

Discretionary financial contributions (continued)

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

Ability to change financial return

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

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

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

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.

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

c) Income tax *(continued)*

Deferred tax

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

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.

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

g) Property, plant and equipment *(continued)*

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

- leasehold improvements	5 - 15	years
- plant and equipment	2.5 - 40	years
- motor vehicles	3 - 5	years

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

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
Financial liabilities include borrowings, trade and other payables and non-derivative financial liabilities (excluding financial guarantees). They 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.

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

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 of other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

n) Issued capital

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

Note 2. Financial risk management *(continued)*

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 2018 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

	2018	2017
	$	$
Operating activities:		
- gross margin	538,633	450,136
- services commissions	98,515	105,140
- fee income	54,740	50,851
- market development fund	25,000	35,000
- shared commission	5,789	-
Total revenue from operating activities	722,677	641,127
Non-operating activities:		
- other revenue	4,655	-
- profit on sale of non-current assets	-	26,800
Total revenue from non-operating activities	4,655	26,800
Total revenues from ordinary activities	727,332	667,927

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	3,476	17,137
- leasehold improvements	4,180	3,473
- motor vehicles	9,812	-
Amortisation of non-current assets:		
- franchise agreement	2,259	2,314
- franchise renewal fee	11,297	11,242
	31,024	34,166
Finance costs:		
- interest paid	5,104	6,838
- interest paid on motor vehicle loan	1,108	3,153
	6,212	9,991
Bad debts	218	54

Note 6. Income tax expense/(credit)

	2018	2017
	$	$
The components of tax expense/(credit) comprise:		
- Movement in deferred tax	(1,838)	8,389
- Recoupment of prior year tax losses	40,593	10,303
- Future income tax benefit attributable to losses brought to account	-	(274,449)
	38,755	(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	140,928	67,970
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	38,755	18,692
Add tax effect of:		
- timing difference expenses	1,838	(1,019)
- other deductible expenses	-	(7,370)
	40,593	10,303
Movement in deferred tax	(1,838)	8,389
Future income tax benefit attributable to losses brought to account	40,593	(274,449)
	38,755	(255,757)

Note 7. Trade and other receivables

Trade receivables	47,903	54,062
Prepayments	7,793	6,023
Other receivables and accruals	800	1,077
	56,496	61,162

Note 8. Property, plant and equipment

Leasehold improvements		
At cost	122,404	106,635
Less accumulated depreciation	(56,334)	(52,154)
	66,070	54,481
Plant and equipment		
At cost	89,150	87,066
Less accumulated depreciation	(71,376)	(67,900)
	17,774	19,166
Motor vehicles		
At cost	49,056	49,056
Less accumulated depreciation	(29,336)	(19,524)
	19,720	29,532
Total written down amount	103,564	103,179

Note 8. Property, plant and equipment *(continued)*	2018	2017
	$	$
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	54,481	57,969
Additions	15,769	-
Disposals	-	-
Less: depreciation expense	(4,180)	(3,488)
Carrying amount at end	66,070	54,481
Plant and equipment		
Carrying amount at beginning	19,166	22,489
Additions	2,084	-
Disposals	-	-
Less: depreciation expense	(3,476)	(3,323)
Carrying amount at end	17,774	19,166
Motor vehicles		
Carrying amount at beginning	29,532	38,742
Additions	-	23,698
Disposals	-	(19,109)
Less: depreciation expense	(9,812)	(13,799)
Carrying amount at end	19,720	29,532
Total written down amount	103,564	103,179

Note 9. Intangible assets		
Franchise fee		
At cost	11,297	11,297
Less: accumulated amortisation	(4,519)	(2,259)
	6,778	9,038
Renewal processing fee		
At cost	56,484	56,484
Less: accumulated amortisation	(22,594)	(11,297)
	33,890	45,187
Total written down amount	40,668	54,225

Note 10. Tax

		2018	2017
		$	$
Non-Current:			
Deferred tax assets			
- accruals		770	743
- employee provisions		11,576	8,213
- tax losses carried forward		219,470	260,063
		231,816	269,019
Deferred tax liability			
- property, plant and equipment		14,814	13,262
		14,814	13,262
Net deferred tax asset		217,002	255,757
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income.		38,755	-

Note 11. Trade and other payables

		2018	2017
Current:			
Trade creditors		16,469	33,058
Other creditors and accruals		26,851	106,659
		43,320	139,717
Non-Current:			
Other creditors and accruals		14,912	29,824

Note 12. Borrowings

		2018	2017
Current:			
Bank overdrafts		75,623	121,944
Chattel mortgage	Note 17	5,147	10,444
		80,770	132,388
Non-Current:			
Chattel mortgage	Note 17	13,867	21,935

Note 12.(a) Reconciliation to cash flow statement	2018	2017
	$	$
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	(75,623)	(121,944)

The company has an approved overdraft facility of $400,000. Interest is charged at the commercial interest rate as per agreement with franchisor (currently 4.030%). The overdraft is secured by a fixed and floating charge over the company's assets.

Note 13. Provisions

	2018	2017
Current:		
Provision for annual leave	24,648	16,514
Provision for long service leave	13,228	11,764
	37,876	28,278
Non-Current:		
Provision for long service leave	4,219	1,588

Note 14. Issued Capital

	2018	2017
810,000 ordinary shares fully paid (2017: 810,000)	810,000	810,000
Less: equity raising expenses	(20,268)	(20,268)
	789,732	789,732

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.

Note 14. Issued capital *(continued)*

(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 245 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

	2018	2017
	$	$
Balance at the beginning of the financial year	(669,139)	(972,616)
Net profit from ordinary activities after income tax	102,173	323,727
Dividends provided for or paid	-	(20,250)
Balance at the end of the financial year	(566,966)	(669,139)

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	102,173	323,727
Non cash items:		
- depreciation	17,468	20,610
- amortisation	13,556	13,556
- profit on sale of asset	-	(26,800)
- donation of asset recognised as expense	-	18,182
Changes in assets and liabilities:		
- (increase)/decrease in receivables	4,666	(18,856)
- (increase)/decrease in other assets	38,755	(255,757)
- increase/(decrease) in payables	(76,147)	83,489
- increase/(decrease) in provisions	12,229	806
Net cash flows provided by operating activities	112,700	158,957

Note 17. Leases

Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	5,147	12,969
- between 12 months and 5 years	14,706	21,935
Minimum lease payments	19,853	34,904
Less future finance charges	(839)	(2,525)
Present value of minimum lease payments	19,014	32,379

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.

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	29,076
- between 12 months and 5 years	53,306	82,382
	82,382	111,458

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

	2018	2017
	$	$
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,400	5,300
- share registry services	5,850	1,885
- non audit services	3,555	3,050
	13,805	10,235

Note 19. Director and related party disclosures

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

Gerard O'Connell
Neil Arthur Owen Canning
David John Lewis
Justin Maxwell Geldard
Kirsti Sue Kee
Peter Donald Smith
Genevieve Louise De Szoeke
Peita Josephine Bates *(Resigned 27 July 2018)*
Simon Done *(Resigned 27 July 2018)*
Scott Christopher Rowe *(Resigned 30 June 2018)*
Felicity Lee-Ann Holder *(Resigned 29 January 2018)*
Debra Anne Potts *(Resigned 27 November 2017)*

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

Directors Shareholdings	2018	2017
Gerard O'Connell	-	-
Neil Arthur Owen Canning	5,000	5,000
David John Lewis	-	-
Justin Maxwell Geldard	-	-
Kirsti Sue Kee	-	-
Peter Donald Smith	-	-
Genevieve Louise De Szoeke	-	-
Peita Josephine Bates *(Resigned 27 July 2018)*	-	-
Simon Done *(Resigned 27 July 2018)*	-	-
Scott Christopher Rowe *(Resigned 30 June 2018)*	-	-
Felicity Lee-Ann Holder *(Resigned 29 January 2018)*	-	-
Debra Anne Potts *(Resigned 27 November 2017)*	-	-

There was no movement in directors shareholdings during the year.

Note 20. Dividends provided for or paid

	2018 $	2017 $
a. Dividends paid during the year		
Prior year proposed final		
Unfranked dividend 2.5 cents (2017: nil cents) per share	20,250	-
b. Dividends proposed and recognised as a liability		
Current year final dividend		
Unfranked dividend nil cents (2017: 2.5 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 2018 (2017: $nil).

Note 22. Earnings per share

	2018 $	2017 $
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	102,173	323,727
	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. Commitments

The company has resolved to pay sponsorships to community partners totalling $40,525 from the profit generated for the 2017/18 financial year. These decisions were made in June/July 2018 but the sponsorships had not been communicated to the recipients before 30 June 2018. As such a provision for their payment was not included in the financial statements.

Note 26. 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.

Note 27. 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	Principal Place of Business
Shop 9-55-59 Main Street	Shop 9-55-59 Main Street
Pialba QLD 4655	Pialba QLD 4655

Note 28. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 %	2017 %
Financial assets												
Receivables	-	-	-	-	-	-	-	-	47,903	54,062	N/A	N/A
Financial liabilities												
Interest bearing liabilities	75,623	121,944	5,147	10,444	13,867	21,935	-	-	-	-	6.43	3.99
Payables	-	-	-	-	-	-	-	-	16,469	33,058	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 2018, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2018 $	2017 $
Change in profit/(loss)		
Increase in interest rate by 1%	(946)	(1,543)
Decrease in interest rate by 1%	946	1,543
Change in equity		
Increase in interest rate by 1%	(946)	(1,543)
Decrease in interest rate by 1%	946	1,543

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 2018 and of its performance for the financial year ended on that date; and

(ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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

Gerard O'Connell, Chairman

Signed on the 27th of September 2018.

Independent audit report

Partners in success

Chartered Accountants

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

Independent auditor's report to the members of 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 2018 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.

Taxation | Audit | Business Services

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: 27 September 2018

David Hutchings
Lead Auditor

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