

Annual Report 2018

Canning Vale **Community Bank**®

Canning Vale
Community Bank® Branch

ABN 11 095 764 533



Annual Report 2018

Gosnells Financial Services Limited

ABN 11 095 764 533

Gosnells Community Bank[®] Branch

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Chairman's report

Overview

2017-2018 has been a very eventful year for Gosnells Financial Services Limited and one that did not work out exactly as we had planned.

We had planned to invest in a new **Community Bank®** Branch in the Vale Shopping Centre on the corner of Warton Road and Amherst Road Canning Vale. The move to 'The Vale' had been extensively researched by the board and supported by Bendigo Bank; It was believed that the move would be beneficial for our company and its shareholders, but the only sustainable way to do this would be to relocate the branch. There were several significant reasons we believed a relocation to be the right move: -

1. The changing demographics within the City of Gosnells boundary indicated a growing population, both residential and commercial in the western reaches of the City;
2. The competitive nature of the banking world continues to be ever changing and it is imperative the branch maintains and increases business volume and strives to maintain and improve its market share. At the new location the increase of by-passing clientele, residential and industrial growth has proved well for growth in business volumes;

A number of security incidents occurred at the Gosnells **Community Bank®** Branch demonstrating that we could not ensure a safe work environment for our staff at this location.

Michelle and the staff spoke to many people who expressed their disappointment about the move and thought that we were deserting Gosnells and they were assured that we were not moving out of Gosnells. Our community still is and always will be the City of Gosnells.

We said goodbye to two of our Directors, Pam Ruocco and Jim Moran who was also our Company Secretary. Pam was so helpful along with her husband in distributing literature in the Canning Vale area and speaking to many people, she was a wonderful advocate for the bank. And Jim was an excellent and very professional Company Secretary as well as a Director and we will miss them both.

Kate Vivian has come on the board as a Director and has extensive experience in dealing with people and is a local Gosnells girl who knows the City very well. We are very pleased to have her on the board.

We hope that in a very short time we can consolidate our position as Bank of choice in Canning Vale and the wider City of Gosnells.

Banking and Financial services are continually changing, and we want to be initiators of these changes and help our customers to understand and benefit from these changes without losing the intimate personal touch.

We have always been proud of our community support through sponsorships, donations and awards.

This year has been no different and although we have relocated the branch, our commitment to the community of Gosnells is still as strong as ever. We have been pleased to be able to support several sporting clubs, schools and other community events.

We are still very much in partnership with the Gosnells Football Club (The Hawks), Gosnells Bowling Club, Men's Shed and Kenwick Cricket Club.

Also, this year we were able to help Huntingdale Primary School purchase a defibulator, these are lifesaving instruments and our hope is that they never have to use it, but we are thankful that we were able to help.

Chairman's report (continued)

Can I just finish this report with a very big thank you to everyone for your understanding to what I know for many of you has been a difficult year. It is because of people like you who have supported us so well, that we are able to help the community in the way we do.

Thank you all so much.

A handwritten signature in black ink, appearing to read 'Ray Norvill', written in a cursive style.

Ray Norvill
Chairman

Manager's report

In a very challenging and competitive environment the staff are continuing to remain positive and attend to our customers in a professional manner. Giving our customers the “time of day” to actively listen to them; have relevant conversations, so that staff can come up with a range of products and services to suit their needs.

During the year the Directors and staff have been actively working with Bendigo and Adelaide Bank in the planning and promoting of our new **Community Bank®** Branch in Canning Vale. This was originally going to be our second site. However due to unforeseen circumstances, Gosnells **Community Bank®** Branch closed and relocated to The Vale Shopping Centre, Canning Vale remaining within the City of Gosnells. This is a positive move for the branch. Staff, customers and shareholders support this move.

I would like to acknowledge the efforts of my staff throughout the year. As always, they have given 100% as has our Directors who volunteer so much of their time.

A big “thank you” to Janelle, Angela, Mat, Julia & Rachael (who is currently on maternity leave).

Results for the Financial Year were disappointing and below budget however as we settle into the new branch in Canning Vale, customers are starting to open accounts. Overall we achieved 76.4% of budget.

Total	Budget	Actual	Budget %
Loans	41,393,666	30,176,622	72.9%
Deposits	70,816,700	55,924,534	79%
Total Footings	112,210,366	86,101,157	76.7%
Other Business	13,828,329	10,199,662	73.8%
All Business	126,038,695	96,300,818	76.4%

The Branch has an overall total business portfolio of \$96,300,818

Our focus continues to be around lending and insurance. The staff are always discussing ways that we can increase results in these areas. Things like campaigns, incentives for customers, asking customers if they would like to do a review of their current banking situation is always a positive. It doesn't cost anything just a bit of time.

One way to continue to grow our business is to reach out to our Shareholders and customers for help to bring in new business to the Branch.

A simple introduction to a Community Group or an individual that they have connections with.

Every new customer that does business with us means that there is more money available to be paid in “community contribution” and dividends.

The Branch currently has a lot of involvement with Clubs, Schools & Not For Profit organizations via sponsorships and grants. Imagine if individuals within these Clubs, Schools and Not For Profit organisations also banked with us, opened up accounts, had a mortgage with us, insurances, credit cards... this would mean that our Branch would have so much more extra funds to give back to those same Not For Profits. It's a WIN-WIN situation.

Even though it's been a tough year, the staff and Directors see these recently made changes and the relocation as positive. More new potential clients walking through the doors at the Vale Shopping Centre. People wanting to see exactly what the Bendigo Bank is all about and what we have to offer.

Manager's report (continued)

The fact that our business partner Bendigo Bank is Australia's fifth largest retail bank and the **Community Bank®** concept is unique to our local communities gives us a huge advantage compared to other Majors in the market.

The difference with the **Community Bank®** model is that every time people bank with their local branch, the bottom line increases and as such, community contributions and dividends increase as well.

Our staff and Directors have a very close working relationships with Bendigo Bank and a lot of support is available to us. The Bank is always looking at new Campaigns to assist the branch network in obtaining new business. Lending is a big focus and priority for us to grow our business.

Finally, a big thank you to our Shareholders and customers – without you we do not have a business. Thank you all for your support and we look forward to seeing you in the new Branch.

For those Shareholders that currently do not bank with us, I encourage you to drop in to the new Branch located at Shop 2, The Vale Shopping Centre (opposite Woolworths) Canning Vale or give us a call on 9455 4650. I'm sure that you will love the "new look" open plan branch. Sit down and have a chat with the staff or myself. This is your business and I would hate if you are missing out on something special.

A handwritten signature in black ink, appearing to read 'Michelle Lennox', is centered within a light gray rectangular box.

Michelle Lennox
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.**

A handwritten signature in black ink, appearing to read 'Robert Musgrove', with a stylized, cursive script.

Robert Musgrove
Bendigo and Adelaide Bank

Directors' report

Your directors submit the financial statements of the company for the financial year ended 30 June 2018. The information on Directors who held office during or since the end of the financial year are:

Raymond Norvill	(Appointed 1/7/13)
Position	Chairman, Non-Executive Director
Occupation	Pastor
Background Information	Raymond is married with two daughters and seven grandchildren. He has lived in the Gosnells community for twelve years. He is a pastor of "The Village Christian Fellowship" Amaroo. Raymond is a former Chair of Gosnells YouthCARE district council. Raymond is the Chair of Choose Respect Inc., a not-for-profit company that helps people relate to one another with a language of mutual respect. He is also Chairman of the Kenwick School and a Board Member of the Southern Districts Support Association.
Directorship Held in Other Entities	Nil
Interest in Shares and Options	Nil
Jon-Paul Tyrer	(Appointed 12/10/15)
Position	Non-Executive Director
Occupation	Pastor
Background Information	Jon-Paul is married with three children and has lived in the Gosnells community for nine years. He is currently one of the pastors of Real Life Church in Gosnells and is the Managing Director of Aspire Safety Management. He has served for 10 years in the British Army and is qualified as a refrigeration engineer and WHS consultant. Jon-Paul is very community orientated and has been involved in local sporting and children's organisations since moving to Australia 12 years ago.
Directorship Held in Other Entities	Nil
Interest in Shares and Options	Nil
Andrew Njunguna	(Appointed 12/10/2016)
Position	Non-Executive Director
Occupation	Video production
Background Information	Andrew, a City of Gosnells resident brings his telecommunications, Information Technology and his media expertise to the Gosnells Financial Services board. He aims to equip the board in growing the Gosnells Community Bank® profitability with a strategic focus on marketing. A father of two, Andrew is passionate about the growth and the well begin of this rich and diverse community, he views the Community Bank® as a strategic vehicle that plays a vital role within the communities in Gosnells.
Directorship Held in Other Entities	Nil
Interest in Shares and Options	Nil

Directors' report (continued)

Iggy Moro	(Appointed 25/2/15)
Position	Non-Executive Director
Occupation	Accountant
Background Information	<p>Qualifications, experience and expertise: Iggy is a Fellow of Chartered Accountants Australia and New Zealand (CAANZ), a Chartered Tax Advisor of the Tax Institute of Australia, a CA SMSF Specialist and a Director with Walker Wayland WA. Walker Wayland WA is full-service accounting firm specialising in business growth, profit improvement and maximising overall business performance. He has been in public practice since 1992 and advises clients in tax, business advisory and SMSF. He assists clients achieve their business, financial and personal goals from start-ups, SMEs and multi-national businesses from a wide range of industries.</p> <p>Iggy is a past Chairperson of the Walker Wayland Australasia National Superannuation Specialist Group. He has also been a Focus Session Facilitator and Exam Marker for the CA ANZ CA Program as well as a workshop facilitator for Tax at UWA Business School. Iggy has also volunteered time and resources for various committees and not-for-profits including Treasurer and Committee Member of Mazenod Old Boys Association, Past Treasurer and Chair of St Jude's Catholic Primary School.</p>
Directorship Held in Other Entities	Nil
Interest in Shares and Options	Nil
John Hansen	(Appointed 27/07/15)
Position	Non-Executive Director
Occupation	Retired
Background Information	<p>Qualifications, experience and expertise: John Hansen is married with two children and seven grandchildren and has lived in Gosnells for five years. All of his working life he has been involved with the Building Industry. He achieved Diplomas of Building and Teaching and has been a Registered Builder for over 40 years.</p> <p>Work experience has been with Local, State and Federal Governments and private enterprise. John also lectured for 23 years in both full time and part time capacities at 3 TAFE Colleges.</p> <p>Before retiring John held the position of Manager Property & Assets with Amaroo Care Services for 15 years, this is a not for profit charity in Gosnells. He also filled the role of Operations Manager on a part time basis.</p> <p>With Ellel Ministries in Gosnells, he has undertaken several overseas mission trips constructing various projects for orphans and villages effected by natural disasters.</p>
Directorship Held in Other Entities	Nil

Directors' report (continued)

Interest in Shares and Options	Nil
Kate Leonie Vivian	(Appointed 30 October 2011)
Position	Non Executive Director
Occupation	Police Officer
Background Information	HR Planning, Equity and Policy, Masters of Arts (Public Sector Leadership), Diploma of Major Crash Investigations and is a graduate of the Australian Institute of Company Director's Course
Directorship Held in Other Entities	Nil
Interest in Shares and Options	Nil
James Robert Moran	Non Executive Director (Resigned 31 July 2018)
Occupation	Consultant
Background Information	James Moran is a member of CPA Australia and the Australian Institute of Company Directors. He is also a Fellow of the Institute of Corporate Governance. James has spent 30 years in the resources sector both throughout Australia and internationally. His roles have covered a broad spectrum of financial and commercial positions in the mining industry, from CFO/Company secretary of ASX listed companies to mine site commercial manager positions.
Directorship Held in Other Entities	Nil
Interest in Shares and Options	Nil
Pamela Ann Roucco	(Resigned 30 October 2017)
Position	Non Executive Director (Resigned 30 October 2017)
Occupation	Retired
Background Information	Pam is a 70 year old retiree who has lived in Australia since 1970 after moving from the UK. Pam has held several positions including 20 years as registered nurse at Amaroo Care Service, secretary, roles in human resources, and assisted with the running of her husband's plumbing business. Pam also attained a Bachelor of Arts in social science and a Diploma of Business Administration.
Directorship Held in Other Entities	Nil
Interest in Shares and Options	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.

Directors' report (continued)

Key Management Personal

Michelle Lennox

Occupation

Bank Manager

Background Information

Branch Manager of Gosnells **Community Bank**® since July 2004. Michelle holds a very unique and privileged position of also having been a Director of Gosnells Financial Services Ltd since 2006. Michelle also holds a certificate 111 in Financial Services and has completed many courses throughout her Banking career. Born and bred in the small country town of Northampton WA, where she lived for 17 years with her parents, Michelle is very familiar with Community involvement and the importance of supporting the people within that Community. From the age of 16, Michelle has been employed in various areas and departments within the banking industry. To Michelle banking is just one part of her role and the most exciting part is her involvement within the Community in which she lives and works. To see Community groups prosper from our sponsorships and assistance is the best possible reward she feels she could ever ask for.

Directorship Held in Other Entities

Nil

Interest in Shares and Options

Nil

Company Secretary

The company secretary is Claire Hurst who was appointed to the position of secretary on 23 July 2018. The previous secretary was James Moran.

Background Information

Claire is the Local Connection Coordinator with Bendigo Bank, Company Secretary and Community Liaison Administrator with Gosnells Financial Services LTD. Claire had 10 years' experience with Bendigo Bank including **Community Bank**® roles and Bendigo Bank roles including a 6 month secondment with Community Sector Banking. Her expertise are in administration, recruitment and marketing.

Directorship Held in Other Entities

Nil

Interest in Shares and Options

Nil

Corporate Governance

The Directors have a strong commitment to good corporate governance. Their guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly in accordance with the law in the interest of investors and other stakeholders.

Audit and Governance

Gosnells Financial Services Limited has established an Audit and Governance Committee. The members of the committee are:

Raymond Norvill
Ignazio Rocco Moro
Tanya Poynter (Finance Officer, Non-Director)

The primary function of the committee is to assist the Board in fulfilling its oversight responsibilities by reviewing:

- The financial information of the Company;
- The systems of internal control (governance) which management and the Board have established;
- The overall audit process of the Company;
- Regulatory obligations of the Company and compliance with these requirements;
- The systems of risk management which management and the Board have established.

In addition to the above, the Company has also implemented other corporate governance practices which include Director approval of operating budgets and monitoring of progress against these budgets, Ongoing Director training and monthly Director meetings to discuss performance and strategic plans.

Principal Activities

The principal activities of the company during the course of the financial year were in facilitating **Community Bank®** services under management rights to operate a franchised branch and a customer service centre 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 loss of the company for the financial year after provision for income tax was:

Year ended 30 June 2018	Year ended 30 June 2017
\$	\$
(137,571)	(10,413)

Dividends

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

Significant changes in the state of affairs

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

Directors' report (continued)

Events since the end of the financial year

On the 13 July 2018 the Gosnells branch closed and operations began in the Canning Vale branch on 16 July 2018.

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 except as disclosed in note 21 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

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 during the year were:

Board Meetings Attended	Eligible	Attended
Raymond Norvill	11	9
Jon-Paul Tyrer	11	7
Andrew Njunguna	11	10
Ignazio Moro	11	8
John Hansen	11	7
Kate Vivian (Appointed 30th of October 2017)	8	7
James Moran (Resigned 31 July 2018)	11	11
Pamela Roucco (Resigned 30th of October 2017)	3	2

Proceedings on behalf of the company

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

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

Non audit services

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

The board of directors has considered the position, in accordance with the advice received from the audit and governance committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 18.

Signed in accordance with a resolution of the board of directors at Gosnells, Western Australia on 21 September 2018.



Raymond Norvill, Chairman

Directors' declaration

In accordance with a resolution of the directors of Gosnells Financial Services Limited, we state that:

In the opinion of the directors:

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

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



Ray Norvill
Director / Chairman
Signed 21 September 2018

Auditor's independence declaration



Partners in success

Chartered Accountants

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

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Gosnells Financial Services Limited

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 21st September 2018

David Hutchings
Lead Auditor

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

Independent auditor's report



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

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Gosnells Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

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

What we have audited

Gosnells Financial Services Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

Independent auditor's 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: 21 September 2018



David Hutchings
Lead Auditor

Financial Statements

Statement of Profit and Loss and Other Comprehensive Income

For the Year Ended 30 June 2018

	Note	2018 \$	2017 \$
Revenue from ordinary activities	4	784,532	818,218
Employee benefits expense		(573,708)	(459,114)
Charitable donations, sponsorship, advertising and promotion		(35,006)	(54,980)
Occupancy and associated costs		(181,262)	(138,079)
Systems costs		(27,834)	(24,227)
Depreciation and amortisation expense	5	(22,306)	(16,409)
Finance costs	5	(33)	(1)
General administration expenses		(134,842)	(143,174)
Loss before income tax credit		(190,459)	(17,766)
Income tax credit	6	52,888	7,353
Loss after income tax credit		(137,571)	(10,413)
Total comprehensive income for the year attributable to the ordinary shareholders of the company:			
		(137,571)	(10,413)
Earnings per share		¢	¢
Basic earnings per share	23	(23.23)	(1.76)

Balance Sheet

As at 30 June 2018

	Note	2018 \$	2017 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	529,138	703,069
Trade and other receivables	8	68,948	73,119
Financial assets	12	130,080	132,960
Total current assets		728,166	909,148
Non-current assets			
Property, plant and equipment	9	20,414	28,624
Intangible assets	10	41,481	54,502
Deferred tax asset	11	96,916	44,028
Total non-current assets		158,811	127,154
Total assets		886,977	1,036,302
LIABILITIES			
Current liabilities			
Trade and other payables	13	52,186	59,333
Provisions	14	72,396	61,395
Total current liabilities		124,582	120,728
Non-current liabilities			
Trade and other payables	13	27,218	39,051
Provisions	14	9,881	13,656
Total non-Current liabilities		37,099	52,707
Total liabilities		161,681	173,435
Net assets		725,296	862,867
EQUITY			
Issued capital	15	588,400	588,400
Retained earnings	16	136,896	274,467
Total equity		725,296	862,867

Statement of Changes in Equity

For the year ended 30 June 2018

	Issued capital \$	Retained Earnings \$	Total equity \$
Balance at 1 July 2016	588,400	284,880	873,280
Total comprehensive income for the year	-	(10,413)	(10,413)
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 2017	588,400	274,467	862,867
Balance at 1 July 2017	588,400	274,467	862,867
Total comprehensive income for the year	-	(137,571)	(137,571)
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 2018	588,400	136,896	725,296

Financial Statements (Continued)

Statement of Cash Flows

For the year ended 30 June 2018

		2018	2017
	Notes	\$	\$
Cash flows from operating activities			
Receipts from customers		851,029	845,991
Payments to suppliers and employees		(1,028,205)	(867,384)
Interest received		10,118	19,216
Interest paid		(33)	-
Income taxes refunded		-	2
Net cash used in operating activities	17	(167,091)	(2,175)
Cash flows from investing activities			
Payments for property, plant and equipment		(4,282)	(20,336)
Payments for intangible assets		(10,758)	-
Proceeds from investments or financial assets		8,280	8,160
Net cash used in investing activities		(6,760)	(12,176)
Cash flows from financing activities			
Repayment of borrowings		-	(7,101)
Dividends paid		(80)	(5,768)
Net cash used in financing activities		(80)	(12,869)
Net decrease in cash held		(173,931)	(27,220)
Cash and cash equivalents at the beginning of the financial year		703,069	730,289
Cash and cash equivalents at the end of the financial year	7(a)	529,138	703,069

Notes to the financial statements

For the year ended 30 June 2018

Note 1 Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

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

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

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

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.

Notes to the financial statements (Continued)

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

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating leases of its branch and customer service centre. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to \$570,079, on an undiscounted basis (see Note 19).

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 Gosnells, Western Australia and a customer service centre at Canning Vale, Western Australia.

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

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

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

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

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

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

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.

Notes to the financial statements (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 day's 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.

Notes to the financial statements (Continued)

Ability to change financial return

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

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

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

Bendigo and Adelaide Bank Limited must give the company 30 day's 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 unrefunded).

Deferred tax

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

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

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

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

Notes to the financial statements (Continued)

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.

leasehold improvements	5 – 15	years
plant and equipment	2.5 – 40	years
furniture and fittings	4 – 40	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

Notes to the financial statements (Continued)

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

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) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

Impairment

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

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases

Notes to the financial statements (Continued)

are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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

m) Provisions

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

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

n) Issued capital

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

o) Earnings per share

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

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

Notes to the financial statements (Continued)

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.

Notes to the financial statements (Continued)

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

Fair value measurement

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Notes to the financial statements (Continued)

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

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

	2018 \$	2017 \$
Note 4 Revenue from ordinary activities		
Operating activities		
- gross margin	608,254	587,987
- services commissions	51,217	68,041
- fee income	80,768	97,380
- market development fund	25,833	22,917
Total revenue from operating activities	<u>766,072</u>	<u>776,325</u>
Non-operating activities:		
- interest received	13,060	15,973
- dividends received	8,280	8,160
- increase/(decrease) in net market value of financial assets	(2,880)	17,760
Total revenue from non-operating activities	<u>18,460</u>	<u>41,893</u>
Total revenues from ordinary activities	<u>784,532</u>	<u>818,218</u>

Note 5 Expenses

Depreciation of non-current assets:		
- plant and equipment	341	610
- leasehold improvements	12,152	5,300
Amortisation of non-current assets:		
- franchise agreement	9,813	10,499
Finance costs:	<u>22,306</u>	<u>16,409</u>
- interest paid	<u>33</u>	<u>1</u>
Bad debts	<u>326</u>	<u>673</u>

Note 6 Income tax credit

The components of tax credit comprise:		
- Future income tax benefit attributable to losses	(52,461)	(7,353)
- Movement in deferred tax	(1,970)	-
- Adjustment to deferred tax to reflect change to tax rate	1,543	-
	<u>(52,888)</u>	<u>(7,353)</u>
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax credit as follows		
Operating loss	(190,459)	(17,766)
Prima facie tax on profit from ordinary activities at 27.5% (2017: 28.5%)	(52,376)	(5,063)
Add tax effect of:		
- non-deductible expenses	1,086	(2,290)
- timing difference expenses	1,970	-
- other deductible expenses	(3,141)	-
Movement in deferred tax	<u>(52,461)</u>	<u>(7,353)</u>
	<u>(1,970)</u>	<u>-</u>
Adjustment to deferred tax to reflect change of tax rate in future periods	1,543	-
	<u>(52,888)</u>	<u>(7,353)</u>

Notes to the financial statements (Continued)

	2018 \$	2017 \$
Note 7 Cash and cash equivalents		
Cash at bank and on hand	28,027	34,965
Term deposits	501,111	668,104
	<u>529,138</u>	<u>703,069</u>
Note 7 (a) Reconciliation to cash flow statement		
Cash at bank and on hand	28,027	34,965
Term deposits	501,111	668,104
	<u>529,138</u>	<u>703,069</u>
Note 8 Trade and other receivables		
Trade receivables	52,531	59,279
Prepayments	11,506	11,870
Other receivables and accruals	4,911	1,970
	<u>68,948</u>	<u>73,119</u>
Note 9 Property, plant and equipment		
Leasehold improvements		
At cost	28,319	28,319
Less accumulated depreciation	<u>(28,319)</u>	<u>(28,319)</u>
	-	-
Plant and equipment		
At cost	11,490	8,877
Less accumulated depreciation	<u>(9,218)</u>	<u>(8,877)</u>
	2,272	-
Furniture and fittings		
At cost	250,815	249,145
Less accumulated depreciation	<u>(232,673)</u>	<u>(220,521)</u>
	18,142	28,624
Total written down amount	<u>20,414</u>	<u>28,624</u>
Movements in carrying amounts		
Plant and equipment		
Carrying amount at beginning	-	-
Additions	2,613	-
Disposals	-	-
Less: depreciation expense	<u>(341)</u>	-
Carrying amount at end	2,272	-
Furniture and fittings		
Carrying amount at beginning	28,624	-
Additions	1,670	249,145
Disposals	-	-
Less: depreciation expense	<u>(12,152)</u>	<u>(220,521)</u>
Carrying amount at end	18,142	28,624
Total written down amount	<u>20,414</u>	<u>28,624</u>

Notes to the financial statements (Continued)

	2018 \$	2017 \$
Note 10 Intangible assets		
Franchise fee		
At cost	55,960	59,168
Less: accumulated amortisation	(14,479)	(4,666)
	<u>41,481</u>	<u>54,502</u>
Total written down amount	<u>41,481</u>	<u>54,502</u>
Note 11 Tax		
Deferred tax assets		
- accruals	37	38
- employee provisions	22,626	21,390
- tax losses carried forward	85,239	33,969
	<u>107,902</u>	<u>55,397</u>
Deferred tax liability		
- accruals	1,351	562
- unrealised gain on shares	9,635	10,807
	<u>10,986</u>	<u>11,369</u>
Net deferred tax asset	<u>96,916</u>	<u>44,028</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>(427)</u>	<u>-</u>
Note 12 Financial assets		
Available-for-sale financial assets		
Listed investments:		
- shares in listed corporations	Note 18 130,080	132,960
Note 13 Trade and other payables		
Current:		
Trade creditors	6,167	8,647
Other creditors and accruals	46,019	50,686
	<u>52,186</u>	<u>59,333</u>
Non-Current:		
Other creditors and accruals	<u>27,218</u>	<u>39,051</u>
Note 14 Provisions		
Current:		
Provision for annual leave	37,764	32,332
Provision for long service leave	34,632	29,063
	<u>72,396</u>	<u>61,395</u>
Non-Current:		
Provision for long service leave	<u>9,881</u>	<u>13,656</u>
Note 15 Issued capital		
592,180 ordinary shares fully paid (2017: 592,180)	592,180	592,180
Less: equity raising expenses	(3,780)	(3,780)
	<u>588,400</u>	<u>588,400</u>

Notes to the financial statements (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 they control or own 10% or more of the shares in the company (the "10% limit").

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

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

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

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

Notes to the financial statements (Continued)

	2018	2017
	\$	\$
Note 16 Retained earnings		
Balance at the beginning of the financial year	274,467	284,880
Net loss from ordinary activities after income tax	(137,571)	(10,413)
Balance at the end of the financial year	136,896	274,467

Note 17 Statement of cash flows

Reconciliation of loss from ordinary activities after tax to net cash used in operating activities

Loss from ordinary activities after income tax	(137,571)	(10,413)
Non cash items:		
- depreciation	12,493	5,910
- amortisation	9,813	10,499
Changes in assets and liabilities:		
- (increase)/decrease in receivables	4,170	(5,661)
- (increase)/decrease in other assets	(60,786)	2,508
- increase/(decrease) in payables	(2,052)	(2,955)
- increase/(decrease) in provisions	7,225	10,350
- increase/(decrease) in current tax liabilities	(383)	(12,413)
Net cash flows used in operating activities	(167,091)	(2,175)

Note 18 Fair value measurement

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

At 30 June 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$

Recurring fair value measurements:

Available-for-sale financial assets

Listed investments:

- shares in listed corporations	130,080	-	-	130,080
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At 30 June 2017	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$

Recurring fair value measurements:

Available-for-sale financial assets

Listed investments:

- shares in listed corporations	132,960	-	-	132,960
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There were no transfers between Level 1 and Level 2 during the reporting period. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

- Level 1: The fair value of available-for-sale financial assets traded in active markets is based on the quoted market price at the close of business at the end of the reporting period.

Notes to the financial statements (Continued)

	2018	2017
	\$	\$
Note 19 Leases		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	142,475	82,571
- between 12 months and 5 years	427,604	302,379
	<u>570,079</u>	<u>384,950</u>

The leases consist of two rental properties:

- a) 2227 Albany Highway, Gosnells WA 6110.

The lease for this property commenced on the 15 October 2016 for a 5 year term expiring on the 14 October 2021.

- b) 271 Amherst Road, Canning Vale WA 6155

The lease for this property commenced on the 1 March 2018 for a 5 year term expiring on the 28 February 2023.

Note 20 Auditor's remunerations	2018	2017
	\$	\$
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services (AFS)	1,800	-
- other non audit services (AFS)	815	-
- audit and review services (Macri Partners)	-	11,800
- other non audit services (Macri Partners)	-	1,800
	<u>2,615</u>	<u>13,600</u>

Note 21 Director and related party disclosures

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

Raymond Norvill

Jon-Paul Tyrer

Andrew Njunguna

Ignazio Moro

John Hansen

Michelle Lennox

Kate Vivian (Appointed 30 October 2017)

James Moran (Resigned 31 July 2018)

Pamela Roucco (Resigned 30 October 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.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Notes to the financial statements (Continued)

	2018 \$	2017 \$
Transactions with related parties:		
James Moran received remuneration for company secretarial and administration services to the value of:	12,350	
John Hansen was reimbursed for paper, printing, vehicle use, postage and interest expenses to value of:	480	

Directors Shareholdings	2018	2017
Raymond Norvill	-	-
Jon-Paul Tyrer	-	-
Andrew Njunguna	-	-
Ignazio Moro	-	-
John Hansen	-	-
Michelle Lennox	-	-
Kate Vivian (<i>Appointed 30 October 2017</i>)	-	-
James Moran (<i>Resigned 31 July 2018</i>)	-	-
Pamela Roucco (<i>Resigned 30 October 2017</i>)	-	-
There was no movement in directors shareholdings during the year.		

Note 22 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.

Note 23 Earnings per share	2018 \$	2017 \$
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(137,571)	(10,413)
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	592,180	592,180

Note 24 Events occurring after the reporting date

On the 13 July 2018 the Gosnells branch closed and operations began in the Canning Vale branch on the 16 July 2018.

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

Note 25 Contingent liabilities and contingent assets

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

Notes to the financial statements (Continued)

Note 26 Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Gosnells and Canning Vale, Western Australia 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
Shop 2, The Vale Shopping Centre
271 Amherst Road
Canning Vale, 6155, WA

Principal Place of Business
Shop 2, The Vale Shopping Centre
271 Amherst Road
Canning Vale, 6155, WA

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												
Cash and cash equivalents	28,027	34,965	501,111	668,104	-	-	-	-	-	-	2.27	2.39
Receivables	-	-	-	-	-	-	-	-	52,531	59,279	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	6,167	8,647	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)

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%	5,291	7,031
Decrease in interest rate by 1%	(5,291)	(7,031)
Change in equity		
Increase in interest rate by 1%	5,291	7,031
Decrease in interest rate by 1%	(5,291)	(7,031)

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Franchisee: Gosnells Financial Services LTD
2227 Albany Highway, Gosnells WA 6110
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ABN: 11 095 764 533

Share Registry:
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