



## Annual Report 2018-2019

Healesville and District Community Enterprise Ltd  
(Healesville Bendigo Community Bank Branch)

ABN: 64 143 284 182

30 June 2019

205 Maroondah Highway, Healesville 3777

Healesville Community Bank Branch



## Chairman's report

It is my pleasure to present the 2018-19 Healesville and District Community Enterprise Limited Annual Report.

It is with enthusiasm that I can report that for the second year we have seen another annual trading surplus for the company. This has followed from continued good governance and management by Directors and Staff.

We celebrated eight years of branch operation of the Healesville Community Bank in February 2019 and have grown slowly but at an increasing rate over this time.

In looking back at the past two years we have seen small net surpluses from ordinary activities of approximately \$40,000 and \$30,000. We are satisfied that this reflects our disciplined approach to expense management, together with continued slow growth based on our business strategy. Encouragingly, with the recent growth and forward budget projections, it is our belief that we will now see a continuation of trading surpluses over coming years that will enable us to firstly repay debt and subsequently see payment of dividends to shareholders. The latter remains our strong intent, but this cannot be undertaken until loans have been repaid.

Frustratingly, as has been commented by both myself and former Chair, Gary Slater, on many occasions, while our community increasingly understands the Community Bank model, where the more they support us, the more we can support our community, in many instances people are still conservative about moving their banking to our branch.

The Community Bank model is unique. Being connected to our community means that we understand that successful customers assist to create a successful community. This community involvement is our real point of difference.

Thanks to the support of Community Bank branch customers and shareholders, the Australia-wide network has now returned more than \$205 million to support and strengthen local communities. This enormous achievement came as the Community Bank network celebrated the opening of its 324th branch 20 years after the Community Bank concept was born in the Western Victorian farming townships of Rupanyup and Minyip in 1998. We are a robust and maturing banking network where valued partnerships enhance banking services, taking the profits that local banking business generates and reinvesting that funding into initiatives that will ultimately strengthen their community. At the National Conference in Bendigo in August 2018 we celebrated 20 years of Community Banking.

Our Healesville Community Bank Company has played its role in this milestone, supporting many projects and community groups with over \$100,000 to help Healesville grow and thrive. These community grants and sponsorships have made a significant difference to a number of local organisations including Healesville Music Festival, Rotary Dogs Day Out, Art of Speech Community Festival, Healesville Football and Netball club and Healesville High School Film Awards, to

name just a few. We look forward to continuing to support these groups and others as more people bank with us, and our improving financial position allows us to increase our local grants program.

### Ratings upgrade

Bendigo and Adelaide Bank Limited remains one of the few banks globally to be awarded an upgraded credit rating since the onset of the Global Financial Crisis. In many areas it has been cited as an exemplary model in the recent Banking Royal Commission, is currently rated as Australia's most trusted bank and recognised in a Roy Morgan survey as Australia's the third most trusted brand.

### Government guarantee

In September 2011, the Federal Government announced changes to its Financial Claims Scheme (FCS), also known as the 'government guarantee', lowering it from \$1 million to a permanent guarantee cap of \$250,000 per account holder per Authorised Deposit-taking Institution (ADI) effective 1 February 2012.

All Community Bank branches operate under Bendigo and Adelaide Bank Limited's banking licence, and as such the first \$250,000 of a depositor's funds held with a Community Bank branch are guaranteed by the Federal Government, free of charge, and supported by the capital base and financial strength of their franchise partner, Bendigo and Adelaide Bank Limited. Lowering the cap is an indication of the strength of Australian banks, including Bendigo and Adelaide Bank Limited and the combination of healthy, profitable banks and strong prudential regulation is the best guarantee our customers have that their money is safe.

### Income:

Healesville and District Community Enterprise Limited is reporting a full financial year trading surplus of \$30,000 for 2018/19. Our existing overdraft is now being reduced as the business is now growing, albeit slowly. All indicators are suggesting that we should now see continued surpluses and we thank our highly engaged Staff, Board and Bendigo Bank for working hard in the community and on our business growth strategies. These surpluses will enable us to repay loans and debt as the priority. The sub-leasing of the upstairs area continues to add additional income.

### Operating Expenses:

Over the past year, we have again maintained a strong reign on expenses whilst improving growth. We are in a sound position to benefit from market opportunities that present as well as from any improvement in market sentiment and the general operating environment.

### Your Board:

The Healesville and District Community Enterprise Limited Board of Directors is drawn from the local community and each Director is skilled in their area of expertise and passionate about our community. They volunteer their time to guide and grow the business. They support the branch staff and work tirelessly in

the community promoting the Healesville Community Bank Branch.

May I express my sincere appreciation to your 2018/19 Board of Directors – Gary Slater, Kath Gannaway, Helen Wood, Sandra Schoffer (Company Secretary), Geoff Sherman (Treasurer), Danny Zemp, Jenny MacKinnon, Len Ellis, Blair Alban, Sue Jackson and Michael Thompson (ret.) for the work they do on our various committees and in the community.

I would like to particularly thank Michael Thompson (ret.) plus Gary Slater and Sandra Schoffer who are retiring at the AGM. Each has made a substantial contribution over the past ten years as a Director, having been involved since the very beginning with the establishment of the first steering committee. In addition, Nikola Sanders (Bookkeeper) and Brad Sanders have served as invaluable Associates. We also acknowledge the pivotal support of the Bendigo Bank team, particularly outgoing Regional Community Manager, Gabi Butler, and Regional Manager, Marisa Dickens (now State Manager).

#### **Our Staff:**

Keeley Mahoney took over from Rosanna Miguel as our new Branch Manager in May 2019 and the staff team have continued to deliver excellent customer service and produce good results. They do this by providing local residents, traders and businesses with professional and friendly face-to-face banking and financial services which are highly valued and appreciated by our community. During the year we were ably assisted by Rebecca Parsons, Brooke Coleman, Shelli Johanson, Mark Davenport and Lucia Bolger as our great banking team. Luci celebrated 20 years with Bendigo Bank in July 2019.



**New Branch Manager, Keeley Mahoney**

#### **Finance, Audit and Risk Committee:**

This committee, ably assisted by Geoff Sherman and Nikola Sanders, has provided timely and accurate financials on which the Board can base their assessment of business performance. This committee has also been instrumental in managing business finances, regular auditing and supporting the Community Investment Committee in regard to community commitments to enable us to grow the business.

#### **Business Development Committee:**

The Business Development Committee arose from the strategic review. Its charter is to specifically develop and implement activities and events focussed on growing small to medium business customers. This committee, chaired by Helen Wood, has developed a number of initiatives that have already proved fruitful for our business growth.

In terms of Community Investment, Directors and management team have again focussed directly on connecting and maintaining contact with all the community entities that have benefited from our grants and sponsorships. We aim to develop stronger relationships with these recipients, ensuring they have a key understanding of the importance of supporting the

Community Bank branch that in turn supports them in their endeavours.

#### **People and Culture Committee:**

This committee continued their HR focus, supporting and ensuring appropriate training for both staff and directors and responding to requests from shareholders. Chair Gary Slater conducted a comprehensive Board review and Skills Audit of the Board, and we were grateful for the assistance of Greg Whimp.

During the year Directors attended State and Regional Bendigo Bank Conferences, undertook professional development courses in new Director Induction, Low Volume Share Trading, Understanding Profit Share, The Effective Board and Marketing. The Directors and staff also participated in a strategic plan review to identify the key partners and chart a growth course for our business.

#### **Challenges and Opportunities:**

The Healesville community understands our banking model and what that means for the community into the future. However, it remains our challenge to get them to move their banking. Some do not yet realise that Bendigo Bank provides a full range of financial and banking services. The opportunity for us is to make it easier for customers to do business with us. It is also just as important for us that we continue to remain competitive in pricing and continue to develop and deliver innovative and relevant banking products and services. Our current three-year strategic plan together with Bendigo Bank's support will deliver continued growth in 2019-2020 and we are most encouraged by the significantly increased levels of footings (both deposits and lending) that have occurred over the past three years. It is noted that there has been some buying and selling of shares over recent months.

Our core focus is to meet the needs and expectations of our customers as they change. Increasing the level of business activity and engagement and thereby deepening our relationship with our customers is our key point of difference. On behalf of the Board of Directors I would encourage you, our shareholders, to be our ambassadors to the community at large. You can certainly help your community company achieve greater success by encouraging members of your family, friends and acquaintances to bank with us.

We look forward to seeing as many shareholders as possible at our Annual General Meeting which will be conducted at the Healesville RSL at 2pm on Saturday 23 November 2019.

Yours Sincerely,

A handwritten signature in dark ink, appearing to read 'B. L. Argyle'.

**Bruce Argyle**  
**Chairman**



## Report: Head of Community Support, Bendigo Bank

As a bank of 160-plus years, we're proud to hold the mantle of Australia's fifth biggest bank. In today's banking environment it's time to take full advantage of this opportunity and for even more people to experience banking with Bendigo Bank and our way of banking, and with our Community Bank partners.

In promoting our point of difference it's sometimes lost that although we're different, we're represented in more than 500 communities across Australia and offer a full suite of banking and financial products and services. In many ways we're also a leader in digital technology and meeting the needs of our growing online customer base, many of whom may never set foot in a traditional bank branch.

At the centre of our point of difference is the business model you chose to support as a shareholder that supports local communities. Whether you're a shareholder of our most recent Community Bank branch which opened in Smithton, Tasmania, in June 2019, or you're a long-time shareholder from more than 20 years ago, you all play an important role. Your support has enabled your branch, and this banking model, to prosper and grow. You're one of more than 75,000 Community Bank company shareholders across Australia who are the reason today, we're Australia's only bank truly committed to the communities it operates in.

And for that, we thank you. For the trust you've not only put in Bendigo and Adelaide Bank, but the faith you've put in your community and your Community Bank company local board of directors.

Bendigo and Adelaide Bank continues to rank at the top of industry and banking and finance sector awards. We have

awards for our customer service, we have award winning products and we have a customer base that of 1.7 million-plus that not only trusts us with their money, but which respects our 'difference'.

As a Bank, we're working hard to ensure that those who are not banking with us, and not banking with your Community Bank branch, make the change. It really is a unique model and we see you, the shareholder, as playing a key role in helping us grow your local Community Bank business. All it takes is a referral to your local branch manager. They'll do the rest.

We find that our customer base is a very loyal group. It's getting people to make the change that's the challenge. In today's environment, we've never had a better chance to convince people to make the change and your support in achieving this is critical.

From Bendigo and Adelaide Bank, once again, thank you for your ongoing support of your Community Bank branch and your community.

We would also like to thank and acknowledge the amazing work of your branch staff and directors in developing your business and supporting the communities that you live and work in.



Mark Cunneen  
Head of Community Support  
Bendigo and Adelaide Bank

### Directors



Bruce Argyle  
Chair



Geoff Sherman  
Treasurer



Sandra Schoffer  
Secretary



Gary Slater  
Chair—People



Helen Wood  
Chair-Business



Jackson Sue  
Chair-Finance



Jenny MacKinnon



Kath Gannaway



Danny Zemp



Blair Alban



Len Ellis

Not pictured: Bob Gannaway (retired November), Nikola Sanders (retired November), Michael Thompson (retired July 2019), Kath Holton (retired July 2018)

## Finance, Audit and Risk Committee

This year has seen the formalisation of the Finance, Audit and Risk Committee, combining several functions previously spread across the Board. Having joined the Board in 2018, I have recently taken on chairing of this Committee and am really enjoying the challenge of Community Banking.

As a businesswoman I am only too aware of the importance of rigorous financial and risk management systems and reporting. While this may sound routine, it is no less important in the governance of a Community Bank.

We have now established a risk management framework and are in the process of reviewing each of our policies over coming months to ensure that they are still relevant and comprehensive.

Over the past 8 years we have been very fortunate to have had free Bookkeeping and Financial services support of Sandra Schoffer, Nikola Sanders and Geoff Sherman. A recent decision, given the increasing demands, has been to outsource this role on a part-time basis.

After two years with small surpluses, our key financial challenges are to continue to increase profitability, pay down our overdraft, pay our shareholders a dividend and position ourselves to be able to provide greater financial support for our local community in the future.

Sue Jackson

Chair—Finance, Audit and Risk Committee

## People, Culture and Governance

Key activities throughout 2018-2019 included restructuring and during the year the committee's experience deepened with the appointments of Keeley Mahoney as Branch Manager and Dan Mathers as Assistant Branch Manager. We recognized Lucia Bolger's 20th year of wonderful service with Bendigo and Adelaide Bank and we reviewed and adopted a number of policies with the most notable being a 'Portability of Service' policy between Bendigo Bank and our company for our staff.

Gary Slater

Chair—People, Culture and Governance Committee



### Healesville High School students win film awards

ENOUGH! When Healesville High School students Madisyn Nicolandos, Janeka Hackel and Teghan Voce got the chance to make a film, they didn't mess around. The girls tackled a tough, topical issue – bullying.

The Year 10 girls, mentored by their media teacher, Ms Ryder-Barnes, filmed their video in one day, delivering a powerful message on the impacts of bullying and on building resilience against it.

The project was made possible by funding from the Yarra Ranges group of Bendigo Community Banks to Ranges Academy of Performing Arts.

'Enough' screened at the inaugural Lantern & Light International Children's Awards taking out the Special Light 'No Bullies Here' Award and was a finalist in the Schools Award and Grand Prix Award categories.

There were some very happy budding Healesville filmmakers, and some very proud parents and teachers as the girls walked down the red carpet in June to accept their award.

'Enough' can be viewed at [https://youtu.be/KedDN\\_bwTJg](https://youtu.be/KedDN_bwTJg)





## Building community resilience one dollar at a time

From little things; big things grow. Our story is one of dogged persistence and determination to provide the community bank we envisaged in 2009 in the aftermath of the Black Saturday bushfires. It started with 'U' ... our shareholders, and we're pleased to say that with the great diversity of local people involved in getting our bank up and running, it follows that our sponsorships and other community support over the past eight years have benefited groups and organisations that you, your family members or friends are involved with.

There have been challenges, not the least of which is how do we continue to meet community expectations in terms of sponsorship. Our way, through necessity, is 'small bickies' spread widely, alongside building our banking business and being active and visible in community events and campaigns.

We have no landmark bricks and mortar projects ... yet; but are proud to have been able to contribute around \$100,000 back into our community to make a difference to local groups from schools and sporting clubs, to cultural and community events, and working with other community organisations to help with their community fundraising.



## Business development

### Strategy

In 2019 the Business Development Committee completed the Business Development Action Plan, which cascades from the HDCEL Strategic Plan, with a core focus on increasing business for the bank. Core activities of the Committee have focussed on raising the profile of the bank, considering community investment opportunities and looking for key partnerships and opportunities to showcase the benefits banking local can bring. The Committee has ensured that the Bank was present at key community events and functions and sought out key partners and projects to be involved in. We have also set targets for community investment and how we attract more business to the bank which one day will allow us to pay dividends to our shareholders. A key speaking opportunity this year was the Tourism Network Yarra Valley Annual Conference which was very successful with a great address by our Chair, Bruce Argyle.

### Business development and marketing operations

During the 2018-2019 financial year, the company's business strategy was operationalised into a marketing plan and marketing communications strategy. Community investment projects align with planning goals and we have worked to enhance links and collaborative efforts with other community groups and community bank branches within the Yarra Ranges (see Yarra Ranges Collaborative Marketing group, below).

### Investment in the community — sponsorship

The bank has provided sponsorship and in-kind support to local organisations, including Healesville CoRE (Community Renewable Energy).

Our average sponsorship is \$500, with a few larger investments, namely with our local schools. We are also maximising our community investment dollars through our involvement with the Yarra Ranges Collaborative Marketing group of Bendigo Community Banks, which draws on a larger pool of money to support regional organisations such as AFL Outer East incorporating Healesville's men's, women's and junior football, Animal Aid, Spectrum Journeys, Yarra Valley FM radio and Ranges Academy of Performing Arts youth film project which included Healesville High School.

As directors, and indeed with our wonderful staff members, we are more than 'bystanders' getting involved in events such as the Rotary Club of Healesville's Dog's Day Out, the Healesville Bowling Club's spring and summer Corporate Bowling Challenge which brings us into contact with more than 20 local businesses on the beautiful greens in River Street, and Healesville CoRE.



## Collaboration with other branches

Healesville and District Community Enterprise Limited actively seeks out opportunities that grow our banking, create and maintain strong bank and community partnerships, and maximise the financial or community-building outcomes.

Through collaboration with other community banks throughout the Yarra Ranges and in Maroondah and Knox, we increase our reach and deliver more power to all of our local communities together, through sponsorships such as the ones delivered this year: AFL Outer East – a comprehensive sponsorship partnership arrangement, Mountain District Radio (3MDR), Animal Aid Coldstream, Ranges Academy of Performing Arts, Radio Eastern, Spectrum Journeys, Yarra Valley Fm – in particular, sponsorship of a new radio show for secondary school students to complement similar programs at Eastern and 3MDR; as well as support to EDVOS and Expect Respect programs.

## Shareholder relations

This year there has been more contact with shareholders and this is a key engagement target for the Board.

Shareholders make it possible for us to operate and to contribute to our community; we especially appreciate shareholders who also bank with us. The importance of our shareholders remains paramount and is a key focus of the Board and the Business Development Committee. This year we have attempted to contact all shareholders by phone or email to ensure the registry is current. We continue to work with shareholders who may wish to sell their shares and to generate buyer interest in the community.

A key activity for this year has been creating procedural documentation on managing the shareholder database to ensure all shareholders are clear on the requirements. This allows our staff at the Bank to offer shareholders more immediate service and streamlines our activities and management of shares.

We also initiated a major engagement function after the AGM in November to showcase the benefits of shareholding to shareholders and prospective shareholders.

Helen Wood, Chair—Business Development Committee with Jenny MacKinnon, cluster representative and cluster Treasurer, and Kath Gannaway, Community Investment.



## Healesville Bowling Club corporate fun for greens upgrade

When Healesville Bowling Club needed to do some serious fundraising to ensure the future provision of their greens, they didn't ask for a hand-out ... just a hand-up! The club set to work on creating their Corporate Challenge. They were bowled over with the response which in just a few years has local businesses and community groups lining up to meet the challenge on those finely-manicured greens. Come 6pm on six Wednesday nights in spring and summer, more than 20 teams of three players – from mechanics and retailers to health professionals, Rotarians, real estate agents, gin-makers ... and, yes, bank staff and directors - gather their bowls, score cards and mats, and get down to the serious fun of bowls. Not only is it a hugely successful business networking event, at \$30 a team each night, a well-patronised sausage sizzle, and a little extra money over the bar, it's a pro-active initiative that's helping keep Healesville Bowling Club's greens fund in the red, and introduce potential new members to the sport.



## Directors' report

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

### Bruce Leonard Argyle

Chairman

Occupation: Head of Philanthropy and State Manager (Vic-Tas) for Community Sector Banking.

Special responsibilities: Chair, Finance Audit and Risk Committee.

Interest in shares: 2,000.

Qualifications, experience and expertise: Bachelor of Science (Hons.), Diploma in Business and Masters in Dispute Resolution.

Current Board and Director roles: Australian Charities and Not-for-Profit Commission (ACNC) - Reference Group (5 years) Social Investment Grants Program, Community Sector Banking - Chair (5 years) Non-executive Director, Lockwood Trust (17 years).

Current community roles: Healesville Toastmasters – Treasure YVFM 99.1 Community Radio – Member and presenter and Save Healesville Hospital Action Group – Member. Paid employment roles: CEO Regional Extended Family Services (REFS) – 14 years, Director, Membership and Partnerships at Philanthropy Australia – 6 years CEO InterCapital Fundraising – 2 years and Director Community Relations Uniting AgeWell – 2 years. Former directorships in last 3 years: Interact Australia (Director, Board Chair) (4 years) and The Chase and Tyler Foundation (Director) (4 years).

### Gary James Slater

Director

Occupation: Healesville RSL General Manager

Special responsibilities: Chair of HR Committee; Finance Committee.

Interest in shares: 16,003

Qualifications, experience and expertise: Has a Associate Diploma of Applied Science, is a former Chair of HDCEL. Member of Healesville Chamber of Commerce, Former President of the Australian Society of Zoo keeping, committee; member of Healesville Economy Recovery, Healesville Returned Services League, Healesville Junior Cricket Club. Past chair of Tenkile Conservation Alliance and CBSG monotreme and marsupial conservation advisory group.

### Sandra Alma Schoffer

Director

Occupation: Retired

Special responsibilities: Finance Committee and HR Committee

Interest in shares: 50,002

Qualifications, experience and expertise: Advanced Certificate of Accounting. Former committee member of Healesville RSL and Relay for Life Cancer Council. Employed as a payroll officer and accounts clerk at Healesville Sanctuary 1990 to 2007.

### Kathleen Therese Gannaway

Director

Occupation: Retired

Special responsibilities: Marketing and Development Committee.

Interest in shares: 2,004 (*Joint*)

Qualifications, experience and expertise: Journalist and photographer with the Mail newspaper in Healesville for more than 20 years, retired in September 2018. Currently a member of Healesville Toastmaster and Yarra Ranges Film Society. Previously involved as a volunteer with Badger Creek Fire Brigade Auxiliary, Badger Creek Old School Building Committee and numerous Gateway Festival Committees.

### Geoffrey Allan Sherman

Treasurer

Occupation: Accountant

Special responsibilities: Chair of Finance Committee; Business Development Committee

Interest in shares: 2,000

Qualifications, experience and expertise: Chartered Accountant and Registered Tax Agent with over 10 years experience in both public practice and corporate accountancy, currently running his own accountancy firm. Past experiences include preparation of financial statements for reporting entities and providing accounting and taxation advice to boards of not-for-profit entities and public companies limited by guarantee.

### Jenny Louise MacKinnon

Director

Occupation: Communications consultant

Special responsibilities: Business Development Committee

Interest in shares: Nil

Qualifications, experience and expertise: Experienced communications and marketing consultant currently working in government, specialising in strategic communications with an interest in service design and human-centred design, entrepreneurship and innovation and small business marketing. Qualifications include communications, innovation and business, intellectual property law, and adult training. Lives in Yarra Ranges with her family and maintains a long-term commitment to community development, the health of the land and good coffee. Currently treasurer of Bendigo Bank Yarra Ranges Cluster Marketing Group and recent member of Collaboration and Partnerships Portfolio Committee of the Community Bank National Council.

### Daniel Zemp

Director

Occupation: Integration Aide Healesville High School

Special responsibilities: CIC, Marketing

Interest in shares: Nil

Qualifications, experience and expertise: Cartoonist and Arborist BSc, Frontline management, Environmental management and sustainability.



## Helen Maree Wood

Director

Occupation: Management Consultant

Special responsibilities: Governance Committee - Chair, Business Development Committee

Interest in shares: 2,000

Qualifications, experience and expertise: 20 years in local and state government. Helen has operated her own business (TMS Consulting) since 2006 as a management consultant specialising in organisational capability (30-50 staff). She is the Chair and Board Member of the Brisbane Youth Services for 8 years - providing services to homeless and vulnerable youth. Individual areas of specialty are organisational performance, leadership, change management, human dynamics. A very experienced and well regarded facilitator, she has run major engagement forums for state and federal governments, helped executive teams align their strategy and helped organisations through major change. She is the joint owner of Yarra Gables Motel in Healesville.

## Blair Reuben Alban

Director (*Appointed 5 February 2019*)

Occupation: General Manager

Special responsibilities: People and Culture Governance Committee

Interest in shares: Nil

Qualifications, experience and expertise: Blair Current works as a General Manager for a winery in Dixons Creek. Growing up in regional community Blair understands the importance of investing his time into initiatives which support a vibrant and sustainable community. Previous experience as a director for his family business.

## Susan Ellen Jackson

Director (*Appointed 5 February 2019*)

Occupation: Real Estate Agent (Licensed)

Special responsibilities: Chair of Audit and Risk Committee

Interest in shares: Nil

Qualifications, experience and expertise: Susan is a licensed Real Estate Agent with 18 years' experience in the industry. She completed Bachelor of Property and Real Estate in 2017. Involved in residential sales and manages a team of 12 sales agents.

Susan has been involved with Travelers Group Montrose for many years and supports various local clubs and groups.

## Leonard William Ellis

Director (*Appointed 5 March 2019*)

Occupation: Retired

Special responsibilities: Nil

Interest in shares: Nil

Qualifications, experience and expertise: Principal of Len Ellis & Co (Project Management). National Manager of Jennings Interspace. State Manager Paynter Dixon P/L. National Manager Bovis S.B. (Kuala Lumpur, Malaysia). Project Manager on many multi-million dollar projects. National President of Australian Institute of Project Management (AIPM) 1990 to 1991.



## Supporting Healesville CoRE's community grid

Renewable energy is becoming not only a valuable asset that many householders are beginning to actively consider installing, but also a key factor in addressing climate change risks, as identified by bodies such as the CSIRO, the World Bank and other key economic bodies.

Our community bank branch supported Healesville CoRE (Healesville Community Renewable Energy Inc) as it began its first-ever solar and battery offer to the residents and businesses in Healesville township. CoRE volunteers worked in conjunction with Mondo Power worked to launch the offer, a very significant opportunity to increase the number of solar rooftop installations in Healesville and other towns in the 3777 area, for residences and for businesses.

## Kathleen Ann Holton

Director (*Resigned 3 July 2018*)

Occupation: Team Leader: Wesley Mission Melba Program

Special responsibilities: Community Investment Committee.

Interest in shares: 9,000

Qualifications, experience and expertise: Diploma of teaching - Primary. Graduate Diploma in Student Welfare. Certificate IV in Assessment and Workplace Training. Advanced Diploma Community Services Management. Certificate III in Home and Community Care. Yarra Ranges Council Community Reference Group - Healesville Structure Plan.

## Nikola Sanders

Director (*Resigned 24 November 2018*)

Occupation: Bookkeeper/BAS Agent

Special responsibilities: Finance Committee

Interest in shares: Nil

Qualifications, experience and expertise: Nikola is a director of Your Office Wizards Pty Ltd, and has been the Treasurer for a number of years for HDCEL. She is the paid bookkeeper for Mooroolbark and District Financial Services, treasurer for Healesville Spinners and Weavers. Rotarian-Healesville and



## Healesville Rotary Dogs' Day Out

Our cheerful burgundy marquee (plus other contributions) was present for the fourth year running at the annual Healesville Rotary Dogs' Day Out. Rotary distributed \$34,000 to local community groups and sports clubs this year, collaborating with sponsors to create new opportunities.

This year the Rotary Club of Healesville distributed funds to 11 sports clubs in Healesville and Yarra Glen. Rotary said that the Dogs Day Out will return in 2020, where they hope to see bigger crowds, more fundraising and more fun.



member of the Yarra Valley Singers. She holds a Diploma of Accounting and is a MYOB Certified Consultant.

### Robert James Gannaway

Director (*Resigned 24 November 2018*)

Occupation: Retired

Special responsibilities: Company Website

Interest in shares: 2,004 (*Joint*)

Qualifications, experience and expertise: Certificate II in Information Technology (Computer Applications). Past CFA volunteer, Secretary Healesville RSL and Badger Creek Old School Committee member. Currently the Committee member, Funeral Officer and Commemorations Officer of the Healesville RSL. Associate / Volunteer, Healesville and District Community Enterprise Limited. Adjutant, Yarra Ranges Squadron, Australian Air League.

### Michael Brian Thompson

Director (*Resigned 2 July 2019*)

Occupation: Retail Manager, Coles Group

Special responsibilities: Business Development Committee; HR Committee.

Interest in shares: 10,000

Qualifications, experience and expertise: Michael has significant experience in the retail sector managing large retail outlets up to \$44 million turnover per annum and teams of up to 130 employees including the management of his own retail business.

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 Sandra Alma Schoffer. Sandra was appointed to the position of secretary on 20 January 2018. Sandra Schoffer was appointed to the position of company secretary on 20 January 2018. Sandra is a current committee member of the Healesville RSL, former committee member of the Relay for Life - Cancer Council. Sandra holds an Advanced Certificate of Accounting, and is currently employed as a payroll officer and accounts clerk.

### 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 after provision for income tax was:

Year ended	Year ended
30 June 2019	30 June 2018
\$27,436	\$388,984

### Dividends

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

### Significant changes in the state of affairs

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

### Events since the end of the financial year

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

### Likely developments

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

### Environmental regulation

The company is not subject to any significant environmental regulation.

### Directors' benefits

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

### Indemnification and insurance of directors and officers

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.

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.

### Directors' meetings

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

### 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*.

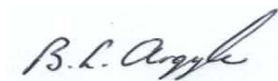
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- 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 12.

Signed in accordance with a resolution of the board of directors at Healesville, Victoria on 30 September 2019.



Bruce Leonard Argyle, Chairman

	Eligible	Attended
Bruce Leonard Argyle	10	10
Gary James Slater	10	9
Sandra Alma Schoffer	10	6
Kathleen Therese Gannaway	10	8
Geoffrey Allan Sherman	10	9
Jenny MacKinnon	10	8
Daniel Zemp	10	9
Helen Maree Wood	10	8
Blair Reuben Alban ( <i>Appointed 5 Feb 2019</i> )	6	4
Susan Ellen Jackson ( <i>Appointed 5 Feb 2019</i> )	6	6
Leonard William Ellis ( <i>Appointed 5 Mar 2019</i> )	6	6
Kathleen Ann Holton ( <i>Resigned 3 July 2018</i> )	-	-
Nikola Sanders ( <i>Resigned 24 Nov 2018</i> )	5	4
Robert James Gannaway ( <i>Resi 24 Nov 2018</i> )	5	4
Michael Brian Thompson ( <i>Res 2 July 2019</i> )	10	4



# Auditors' independence declaration



## Independent auditor's report to the members of Healesville & District Community Enterprise Limited

### Report on the audit of the financial report

#### Our opinion

In our opinion, the accompanying financial report of Healesville & District 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 2019 and of its financial performance for the year ended; and
- ii. complying with Australian Accounting Standards.

#### What we have audited

Healesville & District 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 company.

#### 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.

## Auditors' independence declaration 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 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: 30 September 2019



**Joshua Griffin**  
Lead Auditor

## Financial statements 2018-2019

### Statement of profit or loss and other comprehensive income for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Revenue from ordinary activities	4	592,072	530,259
Employee benefits expense		(331,036)	(274,828)
Charitable donations, sponsorship, advertising and promotion		(9,232)	(9,630)
Occupancy and associated costs		(77,776)	(69,277)
Systems costs		(32,950)	(31,851)
Depreciation and amortisation expense	5	(20,185)	(21,646)
Finance costs	5	(21,714)	(7,555)
General administration expenses		(61,336)	(56,968)
<b>Profit before income tax</b>		<b>37,843</b>	<b>58,504</b>
Income tax (expense)/credit	6	(10,407)	330,480
<b>Profit before income tax</b>		<b>27,436</b>	<b>388,984</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>			
		<b>27,436</b>	<b>388,984</b>
<b>Earnings per share</b>		¢	¢
Basic earnings per share	22	3.05	43.27



## Financial statements continued

### Balance sheet

as at 30 June 2019

	Notes	2019 \$	2018 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	4	4
Trade and other receivables	8	60,660	48,913
<b>Total current assets</b>		<b>60,664</b>	<b>48,917</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	124,840	125,342
Intangible assets	10	34,521	48,070
Deferred tax asset	11	320,074	330,480
<b>Total non-current assets</b>		<b>479,435</b>	<b>503,892</b>
<b>Total assets</b>		<b>540,099</b>	<b>552,809</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	48,296	38,385
Borrowings	13	130,118	565,362
Provisions	14	6,664	7,889
<b>Total current liabilities</b>		<b>185,078</b>	<b>611,636</b>
<b>Non-current liabilities</b>			
Trade and other payables	12	-	14,912
Borrowings	13	399,557	-
Provisions	14	3,670	1,903
<b>Total non-current liabilities</b>		<b>403,227</b>	<b>16,815</b>
<b>Total liabilities</b>		<b>588,305</b>	<b>628,451</b>
<b>Net liabilities</b>		<b>(48,206)</b>	<b>(75,642)</b>
<b>EQUITY</b>			
Issued capital	15	872,080	872,080
Accumulated losses	16	(920,286)	(947,722)
<b>Total equity</b>		<b>(48,206)</b>	<b>(75,642)</b>

## Financial statements continued

### Statement of Changes in Equity

for the year ended 30 June 2019

	Issued capital \$	Accumulated losses \$	Total equity \$
-	-	-	-
<b>Balance at 1 July 2017</b>	872,080	(1,336,706)	(464,626)
Total comprehensive income for the year	-	388,984	388,984
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
<b>Balance at 30 June 2018</b>	<b>872,080</b>	<b>(947,722)</b>	<b>(75,642)</b>
<b>Balance at 1 July 2018</b>	872,080	(947,722)	(75,642)
Total comprehensive income for the year	-	27,436	27,436
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
<b>Balance at 30 June 2019</b>	<b>872,080</b>	<b>(920,286)</b>	<b>(48,206)</b>

## Financial statements continued

### Statement of cash flows

for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		645,575	580,900
Payments to suppliers and employees		(568,484)	(512,383)
Interest paid		(21,714)	(7,555)
<b>Net cash provided by operating activities</b>	17	<b>55,377</b>	<b>60,962</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(6,134)	-
Payments for intangible assets		(13,556)	(13,556)
<b>Net cash used in investing activities</b>		<b>(19,690)</b>	<b>(13,556)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		443,276	-
<b>Net cash provided by financing activities</b>		<b>443,276</b>	<b>-</b>
<b>Net increase in cash held</b>		<b>478,963</b>	<b>47,406</b>
Cash and cash equivalents at the beginning of the financial year		(565,358)	(612,764)
<b>Cash and cash equivalents at the end of the financial year</b>	7(a)	<b>(86,395)</b>	<b>(565,358)</b>



# Notes to the Financial Statements

## for the year ended 30 June 2019

### Note 1. Summary of significant accounting policies

#### a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards (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 two new accounting standards which have been issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 January 2018, and are therefore relevant for the current financial year.

##### *AASB 15 Revenue from Contracts with Customers*

AASB 15 replaces AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The existing revenue recognition through the monthly Bendigo and Adelaide Bank Limited profit share provides an accurate reflection of consideration received in exchange for the transfer of services to the customer. Therefore based on our assessment this accounting standard has not materially affected any of the amounts recognised in the current period and is not likely to affect future periods.

##### *AASB 9 Financial Instruments*

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

Based on our assessment this accounting standard has not had any impact on the carrying amounts of financial assets or liabilities at 1 July 2018. For additional information about accounting policies relating to financial instruments, see Note 1 k).

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 2018. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

##### *AASB 16 Leases*

Only AASB 16, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. AASB 16 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. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 replaces existing leases guidance, including AASB 117 *Leases* and related Interpretations. This standard is mandatory for annual reporting periods beginning on or after 1 January 2019.

The company plans to apply AASB 16 initially on 1 July 2019,

## Notes to financial statements continued

using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The company has assessed the estimated impact that initial application of AASB 16 will have on its financial statements. The actual impacts of adopting the standard on 1 July 2019 may change.

The company will recognise new assets and liabilities for operating leases of its branch. The nature of expenses related to these leases will now change as the company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the company recognised operating lease expense on a straight-line basis over the term of the lease.

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

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of \$355,371.

### *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 Healesville, Victoria.

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.

## b) Revenue

Revenue arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

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.

## Notes to financial statements continued

### *Margin*

Margin is arrived at through the following calculation:

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

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

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

### *Commission*

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

### *Fee income*

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

### *Discretionary financial contributions*

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

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

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

### *Ability to change financial return*

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

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 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



## Notes to financial statements continued

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

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

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

### *Current and deferred tax for the period*

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

## d) Employee entitlements

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

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

## e) Cash and cash equivalents

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

## f) Trade receivables and payables

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

## g) Property, plant and equipment

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

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

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

- leasehold improvements	5 – 15	years
- plant and equipment	2.5 – 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

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.

## Notes to financial statements continued

### 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 (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

#### *Classification and subsequent measurement*

(i)

##### *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.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

(ii)

##### *Financial assets*

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit and loss (FVTPL).

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates.

The company's trade and most other receivables are measured at amortised cost as well as deposits that were previously classified as held-to-maturity under AASB 139.

A financial asset is subsequently measured at FVOCI if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates; and
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the conditions of amortised cost and FVOCI's measurement condition are subsequently measured at FVTPL.

The company's investments in equity instruments are measured at FVTPL unless the company irrevocably elects at inception to measure at FVOCI.

#### *Derecognition*

(i)

##### *Derecognition of financial liabilities*

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(ii)

##### *Derecognition of financial assets*

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

#### *Impairment*

The company recognises a loss allowance for expected credit losses on:

- financial assets that are measured at fair value through other comprehensive income;
- lease receivables;
- loan commitments that are not measured at fair value

## Notes to financial statements continued

through profit or loss; and

-financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

-financial assets measured at fair value through profit or loss; or

-equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The company uses the simplified approach to impairment, as applicable under AASB 9. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

-trade receivables that result from transactions that are within the scope of AASB 15, that contain a significant financing component; and

-lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables is used, taking into consideration various data to get to an expected credit loss, (ie diversity of its customer base, appropriate groupings of its historical loss experience etc.).

### *Recognition of expected credit losses in financial statements*

At each reporting date, the entity recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

## I) Leases

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

the lease liability and the lease interest expense for the period.

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

## m) Provisions

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

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

## n) 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.

## Notes to financial statements continued

### Note 2. Financial risk management

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

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

#### (i) Market risk

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

#### (ii) Price risk

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

#### (iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history.

#### *Expected credit loss assessment for Bendigo and Adelaide Bank Limited*

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited. Due to the reliance on Bendigo and Adelaide Bank Limited the company has reviewed the credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit risk exposure of the company. The most recent credit rating provided by the ratings agencies is as follows:

Ratings Agency	Long-Term	Short-Term	Outlook
Standard & Poor's	BBB+	A-2	Stable
Fitch Ratings	A-	F2	Stable
Moody's	A3	P-2	Stable

Based on the above risk ratings the company has classified Bendigo and Adelaide Bank Limited as low risk.

The company has performed a historical assessment of receivables from Bendigo and Adelaide Bank Limited and found no instances of default. As a result no impairment loss

allowance has been made in relation to the Bendigo and Adelaide Bank Limited receivable as at 30 June 2019.

#### *Expected credit loss assessment for other customers*

The company has performed a historical assessment of the revenue collected from other customers and found no instances of default. As a result no impairment loss allowance has been made in relation to other customers as at 30 June 2019.

#### (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.

#### *Expected credit loss assessment for other customers (continued)*

#### (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:

- 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- 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 2019 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.



## Notes to financial statements continued

### 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.

#### *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

#### *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.

## Notes to financial statements continued

### Note 4. Revenue from ordinary activities

	2019	2018
Operating activities:		
- gross margin	441,236	387,949
- services commissions	53,775	44,544
- fee income	42,926	42,082
- market development fund	35,208	37,500
Total revenue from operating activities	<u>573,145</u>	<u>512,075</u>
Non-operating activities:		
- rental revenue	17,869	17,640
- other revenue	1,058	544
Total revenue from non-operating activities	<u>18,927</u>	<u>18,184</u>
Total revenues from ordinary activities	<u>592,072</u>	<u>530,259</u>

### Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	1,190	1,159
- leasehold improvements	5,446	6,938
Amortisation of non-current assets:		
- franchise agreement	2,258	2,258
- franchise renewal fee	11,291	11,291
	<u>20,185</u>	<u>21,646</u>
Finance costs:		
- interest paid	<u>21,714</u>	<u>7,555</u>
Bad debts	<u>183</u>	<u>233</u>

### Note 6. Income tax expense/(credit)

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

Operating profit	37,843	58,504
Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%)	10,407	16,089
Add tax effect of:		
- timing difference expenses	(4,642)	(2,138)
	<u>5,765</u>	<u>13,951</u>
The components of tax expense/(credit) comprise:		
- Movement in deferred tax	4,642	2,138
- Recoupment of prior year tax losses	5,765	13,951
- Future income tax benefit not brought to account	-	(346,569)
	<u>10,407</u>	<u>(330,480)</u>

## Notes to financial statements continued

	2019	2018
Income tax losses		
Future income tax benefits arising from tax losses are not recognised at reporting date as a realisation of the benefit is not regarded as probable. Future income tax benefit carried forward is:		
	<u>(346,569)</u>	<u>(346,569)</u>

## Note 7. Cash and cash equivalents

Cash at bank and on hand	<u>4</u>	<u>4</u>
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## Note 7 (a). Reconciliation to cash flow statement

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

Cash at bank and on hand			4	4
Bank overdraft	See note	13	(86,399)	(565,362)
			<u>(86,395)</u>	<u>(565,358)</u>

## Note 8. Trade and other receivables

Trade receivables	44,479	39,526
Prepayments	12,423	5,632
Other receivables and accruals	3,758	3,755
	<u>60,660</u>	<u>48,913</u>

## Note 9. Property, plant and equipment

Leasehold improvements		
At cost	195,563	195,563
Less accumulated depreciation	(82,130)	(76,684)
	<u>113,433</u>	<u>118,879</u>

Plant and equipment		
At cost	44,146	38,012
Less accumulated depreciation	(32,739)	(31,549)
	<u>11,407</u>	<u>6,463</u>

Total written down amount	<u>124,840</u>	<u>125,342</u>
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### Movements in carrying amounts:

Leasehold improvements		
Carrying amount at beginning	118,879	125,817
Less: depreciation expense	(5,446)	(6,938)

Carrying amount at end	<u>113,433</u>	<u>118,879</u>
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Plant and equipment		
Carrying amount at beginning	6,463	7,622
Additions	6,134	-
Disposals	-	-
Less: depreciation expense	(1,190)	(1,159)

Carrying amount at end	<u>11,407</u>	<u>6,463</u>
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Total written down amount	<u>124,840</u>	<u>125,342</u>
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## Notes to financial statements continued

### Note 10. Intangible assets

	2019	2018
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	<u>-</u>	<u>-</u>
Franchise fee		
At cost	21,297	21,297
Less: accumulated amortisation	(17,603)	(15,345)
	<u>3,694</u>	<u>5,952</u>
Renewal processing fee		
At cost	56,484	56,484
Less: accumulated amortisation	(38,017)	(26,726)
	<u>18,467</u>	<u>29,758</u>
Redomicile fee at cost	<u>12,360</u>	<u>12,360</u>
Total written down amount	<u>34,521</u>	<u>48,070</u>



## Notes to financial statements continued

### Note 11. Tax

	2019	2018
<b>Non-current:</b>		
Deferred tax assets		
- accruals	983	970
- employee provisions	2,842	2,693
- tax losses carried forward	325,450	331,214
	<u>329,275</u>	<u>334,877</u>
Deferred tax liability		
- property, plant and equipment	9,201	4,397
	<u>9,201</u>	<u>4,397</u>
Net deferred tax asset	<u>320,074</u>	<u>330,480</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>10,406</u>	<u>-</u>
<b>Current:</b>		
Trade creditors	15,132	2,707
Other creditors and accruals	33,164	35,678
	<u>48,296</u>	<u>38,385</u>
<b>Non-current:</b>		
Other creditors and accruals	<u>-</u>	<u>14,912</u>

### Note 12. Trade and other payables

<b>Current:</b>		
Bank overdrafts	86,399	565,362
Bank loans	43,719	-
	<u>130,118</u>	<u>565,362</u>
<b>Non-Current:</b>		
Bank loans	<u>399,557</u>	<u>-</u>

### Note 13. Borrowings

## Notes to financial statements continued

### Note 14. Provisions

	2019	2018
<b>Current:</b>		
Provision for annual leave	<u>6,664</u>	<u>7,889</u>
<b>Non-current:</b>		
Provision for long service leave	<u>3,670</u>	<u>1,903</u>

### Note 15. Issued capital

899,026 ordinary shares fully paid (2018: 899,026)	899,026	899,026
Less: equity raising expenses	(26,946)	(26,946)
	<u>872,080</u>	<u>872,080</u>

Rights attached to shares

#### (a) *Voting rights*

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

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

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

#### (b) *Dividends*

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

#### (c) *Transfer*

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

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

Prohibited shareholding interest

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

## Notes to financial statements continued

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 259. As at the date of this report, the company had 284 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 16. Accumulated losses

	2019	2018
Balance at the beginning of the financial year	(947,722)	(1,336,706)
Net profit from ordinary activities after income tax	27,436	388,984
Balance at the end of the financial year	<u>(920,286)</u>	<u>(947,722)</u>

### Note 17. 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	27,436	388,984
Non cash items:		
- depreciation	6,636	8,097
- amortisation	13,549	13,549
Changes in assets and liabilities:		
- increase in receivables	(11,748)	(5,314)
- (increase)/decrease in other assets	10,407	(330,480)
- increase/(decrease) in payables	8,555	(7,052)
- increase/(decrease) in provisions	542	(6,822)
Net cash flows provided by operating activities	<u>55,377</u>	<u>60,962</u>

## Notes to financial statements continued

### Note 18. Leases

	2019	2018
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	56,111	53,953
- between 12 months and 5 years	14,028	67,442
	<u>70,139</u>	<u>121,395</u>

The business lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The current lease expires on 30 September 2020 with the option of another five year term.

#### Operating lease agreements

The future minimum lease payments receivable under non-cancellable operating lease in the aggregate for each of the following periods:

- not later than 12 months	17,870	5,956
- between 12 months and 5 years	22,336	-
	<u>40,206</u>	<u>5,956</u>

The operating commercial lease is a non-cancellable lease with a three-year term commencing 30 September 2018. Rent is receivable monthly in advance. Net rental income received in 2019 of \$17,870 (2018: \$17,640).

### Note 19. Auditor's remuneration

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

- audit and review services	4,600	4,400
- non audit services	1,830	1,615
	<u>6,430</u>	<u>6,015</u>

### Note 20. Director and related party

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

Bruce Leonard Argyle

Gary James Slater

Sandra Alma Schoffer

Kathleen Therese Gannaway

Geoffrey Allan Sherman

Jenny MacKinnon

Daniel Zemp

Helen Maree Wood

Blair Reuben Alban (*Appointed 5 February 2019*)

Susan Ellen Jackson (*Appointed 5 February 2019*)

Leonard William Ellis (*Appointed 5 March 2019*)

Kathleen Ann Holton (*Resigned 3 July 2018*)

Nikola Sanders (*Resigned 24 November 2018*)

Robert James Gannaway (*Resigned 24 November 2018*)

Michael Brian Thompson (*Resigned 2 July 2019*)

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



## Notes to financial statements continued

Directors' shareholdings	2019	2018
Bruce Leonard Argyle	2,000	-
Gary James Slater	16,503	16,503
Sandra Alma Schoffer	50,002	50,002
Kathleen Therese Gannaway	2,004	2,004
Geoffrey Allan Sherman	2,000	-
Jenny MacKinnon	-	-
Daniel Zemp	-	-
Helen Maree Wood	2,000	-
Blair Reuben Alban ( <i>Appointed 5 February 2019</i> )	-	-
Susan Ellen Jackson ( <i>Appointed 5 February 2019</i> )	-	-
Leonard William Ellis ( <i>Appointed 5 March 2019</i> )	-	-
Kathleen Ann Holton ( <i>Resigned 3 July 2018</i> )	9,000	9,000
Nikola Sanders ( <i>Resigned 24 November 2018</i> )	-	-
Robert James Gannaway ( <i>Resigned 24 November 2018</i> )	2,004	2,004
Michael Brian Thompson ( <i>Resigned 2 July 2019</i> )	10,000	10,000

# Robert and Kathleen Gannaway own 1,002 shares each

There was movement in directors shareholdings during the year.

## 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.

## Note 22. Earnings per share

	2019	2018
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	27,436	388,984
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	899,026	899,026

## Note 23. Events occurring after the reporting date

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

## Note 24. Contingent liabilities and contingent assets

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

## Note 25. Segment reporting

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

## Note 26. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
205 Maroondah Highway	205 Maroondah Highway
HEALESVILLE VIC 3777	HEALESVILLE VIC 3777

## Notes to financial statements continued

### 27. Financial instruments

#### Financial Instrument Composition and Maturity Analysis

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					
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	-	-	-	-	-	-	-	-	4	4	Nil	Nil
Receivables	-	-	-	-	-	-	-	-	44,479	39,526	N/A	N/A
Financial liabilities												
Interest bearing liabilities	86,399	565,362	43,719	-	399,557	-	-	-	-	-	5.43	1.27
Payables	-	-	-	-	-	-	-	-	15,132	2,707	N/A	N/A

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.

#### 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 2019, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2019	2018
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	(5,297)	(5,654)
Decrease in interest rate by 1%	5,297	5,654
Change in equity		
Increase in interest rate by 1%	(5,297)	(5,654)
Decrease in interest rate by 1%	5,297	5,654

## Notes to financial statements continued

### Healesville and District Community Enterprise Limited Directors' Declaration

In accordance with a resolution of the directors of Healesville and District 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:

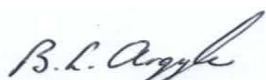
(i)  
giving a true and fair view of the company's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

(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.



**Bruce Leonard Argyle, Chairman**

Signed on the 30th of September 2019.

## Lead auditor's declaration



### **Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Healesville & District Community Enterprise Limited**

As lead auditor for the audit of Healesville & District Community Enterprise Limited for the year ended 30 June 2019, 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: 30 September 2019

**Joshua Griffin**  
**Lead Auditor**



**There are four big  
reasons to try  
number five.**



Healesville **Community Bank®** Branch

