

2018 Annual Report



Inglewood & Districts Community
Enterprises Limited

ABN 87 123 959 375

Inglewood & Districts **Community Bank®** Branch

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Cover image: Janiember Park completed project.
Courtesy Loddon Shire Council.

Chairman's report

For year ending 30 June 2018

I am pleased to report on another successful year for your **Community Bank®** branch.

Our business has grown again for the eleventh successive year by a further \$6 million to a total branch business value of \$130 million (loans and deposits), driven largely by the continued uptake of Rural Bank services. We thank you, our loyal customers for your ongoing commitment to this business.

The fundamentals of our **Community Bank®** branch continue and remain unchanged.

We aim to provide high quality, competitive, locally based banking services and to return the profits generated back to our local community in the form of grants, sponsorships and shareholder dividends.

One of our major funding projects this year was the delivery of the "Inglewood & Districts Apartment" at the newly completed Bendigo Bank House next to the Bendigo Hospital. This provides affordable short-term accommodation for regional patients and their families who are receiving medical treatment by Bendigo Health, but not admitted to hospital. For these patients, finding and paying for accommodation during an already emotional time, can really take its toll. Staying somewhere comfortable and familiar as well as having family and friends around can make these times much more bearable. This facility is going to make a huge difference to the lives of many patients and we could not have done this project without the customer support at our Inglewood & Districts **Community Bank®** Branch.

On the staffing front, we celebrated 15 year's service by Suzanne Jackson, Customer Relations Officer at the branch and the retirement of our long standing Branch Manager Jill Burdett. Jill was with the Bank for 19 years, and was instrumental in the establishment of our **Community Bank®** branch. We wish both Jill and Mick all the best in retirement.

Our new Branch Manager, Peter Barclay has since started. Peter comes to us with an extensive career of professional experience across all areas of regional and agribusiness banking. I encourage you to call into the branch and introduce yourself to Peter.

Again, a big thank you to our hardworking branch staff, who are the face of our business and look after the daily operations and growing demands of the banking industry. Your customer focus and excellent customer service are what drives the success of our business. This success is rewarded by the Bank's investment back into our local community.

I'd also like to thank the Directors for their continued dedication and support throughout the year.

Finally I would like to acknowledge and thank our loyal shareholders and customers. With your support we continue to offer a competitive, quality banking service to our district.

On behalf of the Board, I thank you all for another very successful year.



Dave Edwards
Chairman

Manager's report

For year ending 30 June 2018

It is with great pleasure that I have been asked to provide the 2017/18 Manager's report following the retirement of our long-standing Branch Manager, Jill Burdett, who finished up with us on 20 July 2018. Jill had been pivotal in the establishment of our **Community Bank**[®] branch and had been a "permanent fixture" in the office for the last 19 years. On behalf of the Board of Directors, customers and staff, I wish to take this opportunity to formally thank Jill for her efforts, and wish her a long and happy retirement.

A new Branch Manager has been appointed, Peter Barclay, who comes to us with a wealth of banking experience. We wish Peter well in his new role, and he will be commencing duties with us in early October 2018.

Banking business

We have had another successful year in the past 12 months, and our **Community Bank**[®] branch continues to enjoy amazing growth and deliver strong profits, allowing us to be a key partner and the "backbone" for many community groups and projects.

Our total branch business (loans and deposits) as at 30 June 2018 was \$129.556 million, a staggering result and credit to all concerned. Our business is made up of \$40.368 million in Bendigo Bank lending products, \$56.458 million in Bendigo Bank deposit products and \$32.829 million in other lending, investment and deposit products.

As at 30 June 2018 we had 2,626 customers across our business, both at the **Community Bank**[®] branch and our agency at Randall's Foodworks in Wedderburn. I wish to take this opportunity to thank Leigh and Jenny Randall and their team for their ongoing support in providing a banking service to our customers in and around Wedderburn.

During the year we have grown the business by \$5.959 million in what has been another challenging 12 months for our business. Whilst not quite achieving our target of \$6.5 million growth, the result is still very pleasing in an environment of record low interest rates, and a very solid year for the farming community, which saw better than average yields in the dry land cropping enterprises and record high commodity prices for sheep and wool. This attributed to strong farm returns which led to higher than predicted debt reduction on term loan and overdraft account balances.

Our feasibility study undertaken prior to opening predicted a possible maximum business size of \$88 million. Our current position has exceeded this forecast by over \$41 million, and we hope to continue this sustained growth into the future. The ongoing support of our loyal customers will continue to enable us to provide funding to the many community projects and groups in our area.

Rural Bank

We continue to grow our Rural Bank business and have total business (lending and deposits) of over \$19.6 million as at 30 June 2018, having grown this business by \$4.865 million during the year. Rural Bank provides a suite of competitive loan and deposit products, and we can offer local management which provides a point of difference with our competitors.

As I am an Accredited Rural Bank Relationship Manager, I can visit clients on farm and being based locally have a grasp on local seasonal conditions and outlook. I look forward to continuing to service existing and new agribusiness customers, and to build this segment of our business.

Community contributions

The **Community Bank**[®] model continues to be an integral part of Bendigo and Adelaide Bank Limited and has provided support of over \$200 million to communities throughout Australia since the inception of the initial **Community Bank**[®] branches at Rupanyup and Minyip in 1998. Inglewood & Districts **Community Bank**[®] Branch has returned around \$1.4 million into our area since opening in 2007, a remarkable achievement.

Manager's report (continued)

Over the last year we have allocated funds of \$222,758 to local projects and community groups, and funds to cover future worthwhile projects to benefit the wider community. Our Annual Grants Program continues to be very successful, which is capably managed by our Bendigo Bank Community Enterprise Foundation™.

In the last 12 months we have seen the completion of the Serpentine Recreation Reserve redevelopment, which was made possible from our support of \$100,000. We have also recently provided an undertaking to provide funding of \$100,000 to the Wedderburn Donaldson Park Committee for the redevelopment of the Donaldson Park precinct. Without the support of Inglewood & Districts **Community Bank**® Branch these projects may have not been able to obtain the additional State and Federal Government Funding required.

Further, the Inglewood & Districts **Community Bank**® Branch is very proud to have been a Founding Supporter of the "Bendigo Bank House" project by sponsoring a three bedroom apartment in this development, which provides accommodation for patients from outside Bendigo requiring treatment at Bendigo Hospital. The Bendigo Bank House enables patients and their families to have extended stays in the facility whilst undergoing treatment. This commitment was an initial payment of \$25,400 for the fit out plus around \$2,500 each year for the upkeep of the room.

We continue to look for worthwhile projects to fund to enhance our local areas.

In conclusion, I wish to take the opportunity to thank our customers, Board of Directors, staff (Suzanne, Stewart, Ruth and Ursula) and Bendigo and Adelaide Bank Limited head office staff for the support over the last 12 months, and we look forward to another successful year ahead.



Jon Champion
Mobile Relationship Manager

Directors' report

For the financial year ended 30 June 2018

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

Directors

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

David Allan Edwards

Chairman

Occupation: Manager - Bridgewater Farmware

Qualifications, experience and expertise: Dave (together with wife Leanne) is co-owner and Manager of Bridgewater Farmware, a rural supplies & services business in Bridgewater. Dave also holds positions on various community committees including the Bridgewater on Loddon Development Committee. David has a tertiary qualification in engineering, Project and Operational Management. Prior to running Farmware, held various corporate Operations Management roles over a 15 year period.

Special Responsibilities: HR Sub Committee and Scholarship Committee

Interests in shares: 2,500

Kim Hanlon

Company Secretary

Occupation: Manager - Inglewood Community Neighbourhood House Inc, Company Secretary - Inglewood & Districts Community Enterprises Limited

Qualifications, experience and expertise: Kim is currently the Company Secretary of our organisation and is the Manager of the Inglewood Community Neighbourhood House. Her qualifications include a Diploma of Business and Certificate IV in Workplace Assessment and Training. Kim has an extensive career in Office Administration and Bookkeeping. She is the Secretary and Treasurer of the Inglewood Tourism and Development Committee Inc. and is a strong advocate for Community Development and social justice. Kim is a 2010 graduate of the Loddon Murray Community Leadership Program.

Special Responsibilities: Minute taker of Sponsorships, Grants and Marketing Sub-Committee

Interest in shares: Nil

Kenneth John Canfield

Treasurer

Occupation: Primary Producer

Qualifications, experience and expertise: Held executive positions with the Inglewood Golf and Bowls Clubs, Member of Salisbury West Landcare Group and member of Salisbury/Powlett Fire Brigade. He is now a semiretired farmer with around 60 years experience.

Special Responsibilities: Treasurer, Governance & Audit

Interests in shares: 1,001

Simon Patrick Tuohey

Director

Occupation: Primary Producer

Qualifications, experience and expertise: Currently Vice Chair/ Football operations of the Loddon Valley Football Netball League. Secretary and 2nd Lieutenant of the Serpentine CFA. Chair of Serpentine Recreation Reserve. He is also a member of the Loddon Environmental Water Action Group, Bears Lagoon Serpentine FNC and Serpentine Tennis Club.

Special Responsibilities: Nil

Interests in shares: 2,501

Colleen Mary Condliffe

Director

Occupation: Primary Producer/Loddon Shire Councilor

Qualifications, experience and expertise: Colleen is a Director of the Centre Victorian Rural Women's Network, Women's Health Loddon Mallee, North West Rural Financial Counselling Service Advisory Committee and the Dingee Bush Nursing Centre.

Special Responsibilities: Dingee Bush Nursing Centre Board and Marketing Committee

Interest in shares: 501

Directors' report (continued)

Directors (continued)

Linda Joy Younghusband

Director

Occupation: Farming Assistant/Medical Receptionist

Qualifications, experience and expertise: Was a co-owner of family business, Williamson street 24 hour store, in Bendigo for 12 years. Currently runs the family farm as well as a medical receptionist. I have been on school council at Inglewood Primary School holding the positions of Secretary and President. Also on Parents Association at both Inglewood and Wedderburn Schools. Involved with Wedderburn club and currently secretary/treasurer at Arnold Cricket Club.

Special Responsibilities: Marketing & Sponsorship Committee, Scholarship Committee and Coordinator of the Learner Driver program.

Interests in shares: 500

Stewart Dean Luckman

Director

Occupation: Banker

Qualifications, experience and expertise: Previously employed as a Flour Miller at Laucke Flour Mill. Currently employed as a Banker at the Inglewood & Districts **Community Bank**® Branch. Inglewood Primary School committee representative, Inglewood council treasurer, Member of Inglewood & Bridgewater Men's Shed as well as being a social member of the Inglewood and Bridgewater RSL. Stewart is also a participant in the Loddon Murray Community Leadership Program a Central Umpire for the Loddon Valley Football League and holds a Certificate III in financial services.

Special Responsibilities: Sponsorship & Marketing Committee and Scholarship Committee

Interest in shares: Nil

Murray James Baud

Director

Occupation: Retired - Telecommunications Technology Manager

Qualifications, experience and expertise: Previous employee of Telstra, completed 36 years in network operations and mobile network engineering. As a national manager, responsible for new mobile products specification, development and delivery, business process reengineering, quality and business management. After leaving Telstra in 2006, operated as a private Technology consultant with multiple assignments in Australia and various Asian countries. He has a Certificate of Technology (Electronics) and a Graduate Diploma in Applied Information (RMIT). Murray actively supports the Lions Club International as District Governor V1-4 District. Past President of Inglewood Lions Club. Other community interests: Secretary/ Treasurer of Inglewood Eucalyptus Distillery Museum Committee, Treasurer Inglewood Historical Society, member of Inglewood Development & Tourism Committee including web management and a past member of Inglewood Town Hall Community Hub working group.

Special responsibilities: Human Resources Committee

Interest in shares: 5000

George Arthur Wyatt

Director

Occupation: Retired

Qualifications, experience and expertise: George is currently retired from a tertiary teaching career and has been involved in cricket and football clubs in Newbridge over an extended period. He has also had some experience in the finance and securities industry and holds tertiary academic qualifications.

Special Responsibilities: Nil

Interests in shares: 19,001

Thomas Samuel Jackson

Director

Occupation: CEO Jackson Digital

Qualifications, experience and expertise: Thomas is an extremely community and business minded person, with a very enthusiastic and dedicated approach to any task he takes on. Thomas has worked in the Technology and Audio Visual field for 6+ years. Thomas founded his own IT & Audio Visual business in 2016, Jackson Digital provides a number of services to the Melbourne, Bendigo & Central Victoria region. Thomas currently holds two executive roles with Wedderburn Tourism (President) and Inglewood & Districts **Community Bank**® Branch (Director), he also holds the position as a General Committee Member with various other committees.

Special Responsibilities: Sponsorship Committee

Interests in shares: Nil

Directors' report (continued)

Directors (continued)

Dale Thomas Jackson

Director (Resigned 21 November 2017)

Occupation: Civil Engineer

Qualifications, experience and expertise: Dale is a founding member of the Inglewood & District **Community Bank**[®] Branch. He is the President of the Wedderburn Bowls club. Member of the Wedderburn development association. He is currently a Civil engineer at the Loddon Shire Council.

Special Responsibilities: Nil

Interests in shares: 501

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 Kim Hanlon. Kim was appointed to the position of secretary on 26 November 2013.

Kim is currently the Executive Officer of the organisation and is the Manager of the Inglewood Community Neighbourhood House. Her qualifications include a Diploma of Business and Certificate IV in Workplace Assessment and Training. Kim has an extensive career in Office Administration and bookkeeping, and is the Secretary and Treasurer of the Inglewood Tourism and Development Committee Inc. She is a strong advocate for Community Development and Social Justice. Kim is a graduate of the Loddon Murray Community Leadership Program. Kim was a former President of the Korong Community Newsletter Inc and former Treasurer of the Inglewood Football Netball Club, both ceased November 2014.

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 30 June 2018 \$	Year ended 30 June 2017 \$
14,946	11,947

Dividends

	Year ended 30 June 2018	
	Cents	\$
Dividends paid in the year	6	30,325

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.

Directors' report (continued)

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 20 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended			
			Marketing, Sponsorship & Business Development		Human Resources	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
David Allan Edwards	11	6	-	-	1	1
Kim Hanlon	11	10	6	6	-	-
Kenneth John Canfield	11	10	-	-	-	-
Simon Patrick Tuohey	11	8	-	-	-	-
Colleen Mary Condliffe	11	11	-	-	1	1
Linda Younghusband	11	11	6	6	-	-
Stewart Dean Luckman	11	11	6	6	-	-
Murray James Baud	11	7	-	-	1	1
George Arthur Wyatt	11	7	-	-	-	-
Thomas Samuel Jackson	11	8	5	3	-	-
Dale Thomas Jackson*	5	1	-	-	-	-

* (Resigned 21 November 2017)

Directors' report (continued)

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

Signed in accordance with a resolution of the board of directors at Inglewood, Victoria on 24 September 2018.



David Allan Edwards,
Chairman

Auditor's independence declaration



Chartered Accountants

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

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Inglewood & Districts Community Enterprises Limited

As lead auditor for the audit of Inglewood & Districts Community Enterprises Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 24 September 2018

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

David Hutchings
Lead Auditor

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Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Revenue from ordinary activities	4	894,641	883,447
Employee benefits expense		(436,136)	(420,426)
Charitable donations, sponsorship, advertising and promotion		(233,089)	(230,709)
Occupancy and associated costs		(29,910)	(36,038)
Systems costs		(19,024)	(19,315)
Depreciation and amortisation expense	5	(23,087)	(24,369)
General administration expenses		(132,780)	(136,112)
Profit before income tax expense		20,615	16,478
Income tax expense	6	(5,669)	(4,531)
Profit after income tax expense		14,946	11,947
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		14,946	11,947
Earnings per share		¢	¢
Basic earnings per share	21	2.96	2.36

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2018

	Notes	2018 \$	2017 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	219,913	219,409
Trade and other receivables	8	22,024	27,865
Current tax asset	11	-	6,776
Total current assets		241,937	254,050
Non-current assets			
Property, plant and equipment	9	105,964	105,171
Intangible assets	10	164,169	178,034
Total non-current assets		270,133	283,205
Total assets		512,070	537,255
LIABILITIES			
Current liabilities			
Trade and other payables	12	28,662	27,992
Current tax liabilities	11	843	-
Total current liabilities		29,505	27,992
Non-current liabilities			
Deferred tax liabilities	11	11,557	8,102
Trade and other payables	12	29,547	44,321
Total non-current liabilities		41,104	52,423
Total liabilities		70,609	80,415
Net assets		441,461	456,840
EQUITY			
Issued capital	13	488,516	488,516
Accumulated losses	14	(47,055)	(31,676)
Total equity		441,461	456,840

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2018

	Note	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016		488,516	(13,298)	475,218
Total comprehensive income for the year		-	11,947	11,947
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	19	-	(30,325)	(30,325)
Balance at 30 June 2017		488,516	(31,676)	456,840
Balance at 1 July 2017		488,516	(31,676)	456,840
Total comprehensive income for the year		-	14,946	14,946
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	19	-	(30,325)	(30,325)
Balance at 30 June 2018		488,516	(47,055)	441,461

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		984,067	968,214
Payments to suppliers and employees		(937,884)	(922,626)
Interest received		4,927	5,199
Income taxes paid		5,404	3,697
Net cash provided by operating activities	15	56,514	54,484
Cash flows from investing activities			
Payments for property, plant and equipment		(10,016)	-
Payments for intangible assets		(15,669)	(11,192)
Net cash used in investing activities		(25,685)	(11,192)
Cash flows from financing activities			
Dividends paid	19	(30,325)	(30,325)
Net cash used in financing activities		(30,325)	(30,325)
Net increase in cash held		504	12,967
Cash and cash equivalents at the beginning of the financial year		219,409	206,442
Cash and cash equivalents at the end of the financial year	7(a)	219,913	219,409

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2018

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

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

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating lease of its branch. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to \$49,000, on an undiscounted basis (see Note 16).

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Inglewood, 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 in relation to:

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

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

Notes to the financial statements (continued)

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

b) Revenue

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

Revenue calculation

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan.

For those products and services on which margin is paid, 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.

Products and services on which margin is paid include variable rate deposits and variable rate home loans.

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.

Notes to the financial statements (continued)

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

b) Revenue *(continued)*

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 payable (or refundable).

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax

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

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

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

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

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 on 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.

Notes to the financial statements (continued)

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

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
- motor vehicles	3 - 5	years

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Notes to the financial statements (continued)

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

k) Financial instruments *(continued)*

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Impairment

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

l) Leases

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

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

m) Provisions

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

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

n) 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.

Notes to the financial statements (continued)

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

Notes to the financial statements (continued)

Note 2. Financial risk management

(vi) Capital management (*continued*)

The distribution limit is the greater of:

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2018 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

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.

Note 4. Revenue from ordinary activities	2018	2017
	\$	\$
Operating activities:		
- gross margin	637,866	553,033
- services commissions	164,262	228,929
- fee income	62,226	71,286
- market development fund	25,000	25,000
Total revenue from operating activities	889,354	878,248
Non-operating activities:		
- interest received	4,927	5,199
- other revenue	360	-
Total revenue from non-operating activities	5,287	5,199
Total revenues from ordinary activities	894,641	883,447

Notes to the financial statements (continued)

Note 5.	Expenses	2018	2017
		\$	\$
	Depreciation of non-current assets:		
	- plant and equipment	597	895
	- leasehold improvements	4,098	5,118
	- motor vehicle	4,528	4,528
	Amortisation of non-current assets:		
	- franchise fee	2,310	2,305
	- franchise renewal fee	11,554	11,523
		<u>23,087</u>	<u>24,369</u>
	Bad debts	<u>99</u>	<u>379</u>

Note 6. Income tax expense

The components of tax expense comprise:		
- Current tax	2,215	412
- Movement in deferred tax	3,454	1,890
- Recoupment of prior year tax losses	-	2,229
	<u>5,669</u>	<u>4,531</u>

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

Operating profit	20,615	16,478
Prima facie tax on loss from ordinary activities at 27.5% (2017: 27.5%)	5,669	4,531
Add tax effect of:		
- timing difference expenses	(3,454)	(1,890)
	<u>2,215</u>	<u>2,641</u>
Movement in deferred tax	3,454	1,890
	<u>5,669</u>	<u>4,531</u>

Note 7. Cash and cash equivalents

Cash at bank and on hand	19,913	19,409
Term deposits	200,000	200,000
	<u>219,913</u>	<u>219,409</u>

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	19,913	19,409
Term deposits	200,000	200,000
	<u>219,913</u>	<u>219,409</u>

Notes to the financial statements (continued)

Note 8.	Trade and other receivables	2018	2017
		\$	\$
Trade receivables		17,035	22,635
Prepayments		4,858	5,099
Other receivables and accruals		131	131
		<u>22,024</u>	<u>27,865</u>

Note 9.	Property, plant and equipment		
Leasehold improvements			
At cost		147,109	147,109
Less accumulated depreciation		(75,644)	(71,546)
		<u>71,465</u>	<u>75,563</u>
Plant and equipment			
At cost		41,070	31,054
Less accumulated depreciation		(27,288)	(26,691)
		<u>13,782</u>	<u>4,363</u>
Motor vehicles			
At cost		36,224	36,224
Less accumulated depreciation		(15,507)	(10,979)
		<u>20,717</u>	<u>25,245</u>
Total written down amount		<u>105,964</u>	<u>105,171</u>

Movements in carrying amounts:

Leasehold improvements			
Carrying amount at beginning		75,563	80,681
Less: depreciation expense		(4,098)	(5,118)
Carrying amount at end		<u>71,465</u>	<u>75,563</u>
Plant and equipment			
Carrying amount at beginning		4,363	5,258
Additions		10,016	-
Less: depreciation expense		(597)	(895)
Carrying amount at end		<u>13,782</u>	<u>4,363</u>
Motor vehicles			
Carrying amount at beginning		25,245	29,773
Less: depreciation expense		(4,528)	(4,528)
Carrying amount at end		<u>20,717</u>	<u>25,245</u>
Total written down amount		<u>105,964</u>	<u>105,171</u>

Notes to the financial statements (continued)

Note 10. Intangible assets	2018	2017
	\$	\$
Franchise fee		
At cost	32,746	32,746
Less: accumulated amortisation	(24,051)	(21,740)
	<u>8,695</u>	<u>11,006</u>
Renewal processing fee		
At cost	113,729	113,729
Less: accumulated amortisation	(70,255)	(58,701)
	<u>43,474</u>	<u>55,028</u>
Goodwill on purchase of agency		
At cost	<u>112,000</u>	<u>112,000</u>
Total written down amount	<u>164,169</u>	<u>178,034</u>

Note 11. Tax

Current:

Income tax payable/(refundable)	<u>843</u>	<u>(6,776)</u>
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Non-Current:

Deferred tax assets		
- accruals	770	743
	<u>770</u>	<u>743</u>
Deferred tax liability		
- accruals	36	36
- property, plant and equipment	12,291	8,809
	<u>12,327</u>	<u>8,845</u>
Net deferred tax liability	<u>(11,557)</u>	<u>(8,102)</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>3,455</u>	<u>4,118</u>

Note 12. Trade and other payables

Current:

Trade creditors	5,340	-
Other creditors and accruals	23,322	27,992
	<u>28,662</u>	<u>27,992</u>

Non-Current:

Other creditors and accruals	<u>29,547</u>	<u>44,321</u>
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Notes to the financial statements (continued)

Note 13. Issued capital	2018	2017
	\$	\$
505,412 ordinary shares fully paid (2017: 505,412)	505,412	505,412
Less: equity raising expenses	(16,896)	(16,896)
	<u>488,516</u>	<u>488,516</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.

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 298. As at the date of this report, the company had 318 shareholders.

Notes to the financial statements (continued)

Note 13. Issued capital (continued)

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 14. Accumulated losses	2018	2017
	\$	\$
Balance at the beginning of the financial year	(31,676)	(13,298)
Net profit from ordinary activities after income tax	14,946	11,947
Dividends provided for or paid	(30,325)	(30,325)
Balance at the end of the financial year	<u>(47,055)</u>	<u>(31,676)</u>

Note 15. 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	14,946	11,947
Non cash items:		
- depreciation	9,223	10,541
- amortisation	13,864	13,828
Changes in assets and liabilities:		
- (increase)/decrease in receivables	5,844	6,061
- (increase)/decrease in other assets	6,776	(51,851)
- increase/(decrease) in payables	1,564	59,840
- increase/(decrease) in current tax liabilities	4,297	4,118
Net cash flows provided by operating activities	<u>56,514</u>	<u>54,484</u>

Notes to the financial statements (continued)

Note 16. Leases	2018	2017
	\$	\$
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	12,000	12,000
- between 12 months and 5 years	37,000	48,000
	<u>49,000</u>	<u>60,000</u>

The property lease is linked to the Company's Franchise Agreement with Bendigo & Adelaide Bank Limited, the Franchise renewal was on 1 June 2017 with no extension options available. Lease expires 31 May 2022.

Note 17. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,400	5,000
- share registry services	3,485	3,495
- non audit services	2,000	2,161
	<u>9,885</u>	<u>10,656</u>

Note 18. Director and related party disclosures

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

David Allan Edwards
 Kim Hanlon
 Kenneth John Canfield
 Simon Patrick Tuohey
 Colleen Mary Condliffe
 Linda Younghusband
 Stewart Dean Luckman
 Murray James Baud
 George Arthur Wyatt
 Thomas Samuel Jackson
 Dale Thomas Jackson (*Resigned 21 November 2017*)

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

Notes to the financial statements (continued)

Note 18. Director and related party disclosures *(continued)*

Directors Shareholdings	2018	2017
David Edwards	2,500	500
Kim Hanlon	-	-
Kenneth John Canfield	1,001	-
Simon Patrick Tuohey	2,501	2,501
Colleen Condliffe	501	501
Linda Younghusband	500	500
Stewart Dean Luckman	-	-
Murray Baud	5,000	5,000
George Arthur Wyatt	19,001	19,001
Thomas Jackson	-	-
Dale Thomas Jackson <i>(Resigned 21 November 2017)</i>	501	501

There was no movement in directors shareholdings during the year.

Note 19. Dividends provided for or paid

	2018	2017
	\$	\$
a. Dividends paid during the year		
Current year dividend		
100% (2017: 100%) unfranked dividend - 6 cents (2017: 6 cents) per share	<u>30,325</u>	<u>30,325</u>

The tax rate at which dividends have been franked is 27.5% (2017: 27.5%).

b. Franking account balance

Franking credits available for subsequent reporting periods are:

- franking account balance as at the end of the financial year	3,655	9,059
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	2,802	(6,776)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-

Franking credits available for future financial reporting periods:

- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
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Net franking credits available

<u>6,457</u>	<u>2,283</u>
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Notes to the financial statements (continued)

Note 20. Key management personnel disclosures	2018	2017
	\$	\$

For the year ended 30 June 2018 the directors received total remuneration including superannuation, as follows:

Director, Kim Hanlon is contracted to the Board to perform the role as Executive Officer. Her services are provide a hourly rate agreed with the Board, hours and times of service varies in accordance with the requirements needed to fulfil her role. During the financial year Kim invoiced the company.	9,042	9,702
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Note 21. Earnings per share		
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(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	14,946	11,947
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	505,412	505,412

Note 22. 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 23. 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 24. Segment reporting

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

Note 25. Registered office/Principal place of business
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The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
64 Brooke Street	64 Brooke Street
Inglewood VIC 3517	Inglewood VIC 3517

Notes to the financial statements (continued)

Note 26. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	19,813	19,309	200,000	200,000	-	-	-	-	100	100	1.82	2.17
Receivables	-	-	-	-	-	-	-	-	17,035	22,635	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	5,340	-	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

As at 30 June 2018, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2018 \$	2017 \$
Change in profit/(loss)		
Increase in interest rate by 1%	2,198	2,193
Decrease in interest rate by 1%	(2,198)	(2,193)
Change in equity		
Increase in interest rate by 1%	2,198	2,193
Decrease in interest rate by 1%	(2,198)	(2,193)

Directors' declaration

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

In the opinion of the directors:

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

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



David Allan Edwards,
Chairman

Signed on the 24th of September 2018.

Independent audit report



Chartered Accountants

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

Independent auditor's report to the members of Inglewood & Districts Community Enterprises Limited

Report on the audit of the financial statements

Our opinion

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

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

What we have audited

Inglewood & Districts Community Enterprises Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

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Independent audit report (continued)

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report so that it gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 24 September 2018



David Hutchings
Lead Auditor

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