



# 2018 Annual Report

Inverloch & District  
Financial Enterprises  
Limited

ABN 13 117 672 590

# Contents

<b>Chairman's report</b>	<b>2</b>
<b>Manager's report</b>	<b>4</b>
<b>Bendigo and Adelaide Bank report</b>	<b>5</b>
<b>Directors' report</b>	<b>6</b>
<b>Auditor's independence declaration</b>	<b>14</b>
<b>Financial statements</b>	<b>15</b>
<b>Notes to the financial statements</b>	<b>19</b>
<b>Directors' declaration</b>	<b>39</b>
<b>Independent audit report</b>	<b>40</b>
<b>NSX report</b>	<b>42</b>

# Chairman's report

For year ending 30 June 2018

## The year in review

During the 2017/18 financial year, the company saw a flux of new business and a run-off of similar proportions although profitability was not adversely affected. The Reserve Bank Cash Rate 1.5% has remained throughout the financial year with the attendant tightness of margin for both loan and deposits and the competition with other financial institutions was strong. As noted in the Operating and Financial Review the business in deposits has continued to grow faster than loans with the imbalance now consisting of 71% and 29% respectively. In cash terms, this resulted in an increase in deposits of \$5.19 million while loans decreased \$5.23 million.

Overall the company achieved an improvement in profitability of 42.3% compared with the previous year's results. Contributing to this result was an improvement in revenue of 0.1% while overall expenses decreased by 3.7%. A combination of these factors when compared with the prior year contributed to the profit for the year of \$71,513 after income tax, or 10.3% on a turnover of \$692,264. These improved results resulted in Earnings per Share of 9.53 cents.

## Business development

During the forthcoming year the company will undertake a number of initiatives to promote business growth, foremost among these will be conducting a community forum to determine community needs and encourage improved customer numbers and business outcomes for our **Community Bank**<sup>®</sup> branch. During the year the Agency at Tarwin Lower ceased operations and it is intended to consult with the community in the Tarwin Lower Venus Bay region to determine whether a profitable business can be established there. The Board intends to explore opportunities with Rural Bank, where such opportunities can contribute to the overall profitability of the company. As with previous years we will continue our focus on cost control, so as to ensure that we lock in profitability from business development initiatives as well as preparing for when the market picks up.

## The Board

During the financial year, existing Directors continued to bring their experience and knowledge to bear in the governance and effective operation of the company. The Board notes that during the financial year one of the earlier Directors for the company and the Deputy Chairman resigned from the Board to move back to Melbourne to be with family, we wish Max and his family all the best for the future. I also acknowledge the resignation of Trevor Dando for career reasons and thank him for undertaking the role of Company Secretary in the preceding year. During the year the Board appointed two new Directors and we welcome Kerralie Shaw and Dirk Holwerda who both bring a range of skills which will assist with company success into the future. As with previous years I wish to place on record my appreciation for the dedication and hard work of all of our Directors, particularly those that Chair each of the Board Sub-Committees as well as our Treasurer Tristan Creed, without their efforts our community would be much poorer.

## Community contributions

The company has a proud record of distributing capital, to enhance community infrastructure and contribute to the various activities and representative groups that make up the community. During the years since inception, the company is pleased to have contributed by way of charitable donations, grants and sponsorships to the support of the community as outlined in the table.

Financial year	Total
2005/06	\$363
2006/07	\$8,552
2007/08	\$30,402
2008/09	\$31,363
2009/10	\$60,403
2010/11	\$65,095
2011/12	\$29,440
2012/13	\$55,488
2013/14	\$24,850
2014/15	\$45,246
2015/16	\$81,022
2016/17	\$23,191
2017/18	\$24,391
<b>Grand total</b>	<b>\$456,615</b>

Note: Some annual totals included in the table above vary from those provided in previous years due to rounding and previous categorisation errors.

### The year to come and beyond

For previous years, low interest rates appeared to be the new normal and while no change is currently on the horizon for the next financial year, the movement in the US economy and the resultant increase in interest rates there will almost certainly flow through to our banking operations in due course. The significance of any movement in interest rates is that it affects our margins on products, particularly those for loans and deposits. For our customers we continue to offer alternative financial products and services to meet their individual needs.

As a regional **Community Bank**<sup>®</sup> branch operation of the fifth largest Bank in Australia, we continue to emphasise our community connections as the major point of difference in the market compared with our competitors. We will maintain our connection with Bass Coast and South Gippsland Shires and philanthropic organisations in the region to achieve synergies where possible. Moreover, we will continue our involvement in determining optimal community assets and services through support of our community and the optimisation of our interaction and relationships with them.

### The Community Bank<sup>®</sup> branch team

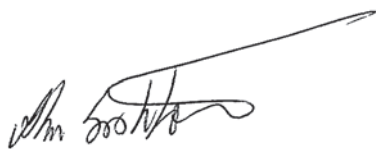
During the year the Branch Manager, Cheryl Clasby has added to her team and they are focussed on seeking the best outcomes for our customers and community and we look forward to their contribution throughout the forthcoming year. The Board acknowledges the high-level service that is provided to our customers through staff dedication and professionalism and appreciates their endeavours.

### Our shareholders

Without shareholders investing in the formation of the company, the outcomes achieved to date would not have been possible. The Board and I appreciate that shareholders require some reward for their forbearance during the formative years for the company and in previous years; accordingly, in considering the business results for the past year the Board believe that a dividend should be distributed again in this year.

### Our community

The Inverloch & District **Community Bank**<sup>®</sup> Branch continues to be well supported by the community and this is evidenced by the number of customers currently serviced by the branch. The Board still believe that there is potential for further growth of customer numbers and will strive to raise the level of awareness about the **Community Bank**<sup>®</sup> model and the benefits that can be achieved for community infrastructure and growth.



**Alan Gostelow**  
Chairman



# Manager's report

For year ending 30 June 2018

It is with great pleasure that I present my Branch Manager's report for the year ending 30 June 2018 on behalf of Inverloch & District **Community Bank**<sup>®</sup> Branch.

It has been a challenging year with tighter lending regulations and customers paying down debt while interest rates remain low. Despite this trend we continue to look for opportunities to grow the business in all areas. We ended the year with our total footings being \$105.4 million.

Our overall funds under management position is:

- Loan Portfolio \$38.2 million
- Deposit Portfolio \$66.6 million
- Total Footing \$105.4 million.

I would like to thank our shareholders and the community for your continued support of the branch. This allows us to contribute more of our profits to the already strong and successful community of Inverloch as well as dividends to our shareholders.

As a shareholder, we seek your help in bringing new business to our branch. You can do this in many ways such as an introduction to a community or business group that you are involved with. It may result in the new customer for the branch and with every new customer gained an increase in our profits and dividends are likely. Your personal banking is also important to us and we would love you to consider us for all your banking needs. Bendigo Bank is the fifth largest Bank in Australia offering banking services and places our community in a unique situation. The difference with the **Community Bank**<sup>®</sup> model is that every time people bank with their local **Community Bank**<sup>®</sup> branch, the bottom line increases and as such, the community contribution and the dividends increase as well.

As our profits continue to increase, it has allowed us to contribute a further \$24,391 to our local community by way of Grants and Sponsorship this year making our total contribution of approximately \$456,615 over the past 13 years.

A big thank you must go to our team who are our biggest asset and they continue to provide friendly and professional service to all our customers. We welcome Krystal Gilbert who joined our team in April working two days per week. Please call in and see Kath, Robyn, Simone, Danita and Krystal to see what a difference we can make to your banking.

Last but not least my thanks must go to our Chairman Alan Gostelow and our hard-working Board of Directors who continue to work diligently on a volunteer basis to ensure that we have a successful **Community Bank**<sup>®</sup> branch and that it continues to provide benefits back to the local communities.



**Cheryl Clasby**  
**Branch Manager**

# Bendigo and Adelaide Bank report

For year ending 30 June 2018

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

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

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

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

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

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

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

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

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

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

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



**Robert Musgrove**  
**Bendigo and Adelaide Bank**

# Directors' report

For the financial year ended 30 June 2018

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

## Directors

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

### **Alan Keith Gostelow**

Chairman & Secretary

Company Director & Business Consultant

Ex-Army Officer and senior manager of several businesses, as well as CEO for three Companies. Graduate Diplomas in Business Administration and Health Administration as well as Company Directors Diploma. Former Company Secretary for three Companies. Currently Community Advisor for Bendigo and Adelaide Bank Limited. Former Director, Chair of the Governance Committee and member of the Audit Committee for Phillip Island Nature Parks. Former member of Several Rotary Clubs and Former Chairman of the Powerboat Division, Yachting Victoria.

Special responsibilities: Finance Audit & Governance and Business Development & Marketing Committees

Interest in shares: 501

### **Tristan Andrew Creed**

Treasurer

Accountant

Chartered Accountant & Tax Agent. Director of Feathertop Business Services. Director of Imporex Pty Ltd. Director of Armacell Australia Pty Ltd. Bachelor of Business (Accountancy). Graduate Diploma (CA).

Special responsibilities: Finance Audit & Governance and Business Development & Marketing Committees

Interest in shares: 4,000

### **Domenic Anthony Brusamarello**

Director

Self Employed Manager

14 Years State Electricity Commission, 2 years Restaurateur, 10 years President Inverloch Tourism Association, former President Inverloch Food & Wine Fest, former Leadership Group Member Inverloch Community Planning, 21 years owner operator Inverloch Supermarket.

Special responsibilities: Finance Audit & Governance and Business Development & Marketing Committees

Interest in shares: Nil

### **Susan Joy Ruffin**

Director

Lawyer

BA (Honours) LLB

Special responsibilities: Finance Audit & Governance Committee

Interest in shares: Nil

### Directors (continued)

#### **Alisha Dee Gilliland**

Director

Local Government

Graduate Diploma Management (Technology Management) - Deakin University. Bachelor Health Science (Complementary Medicine) - Charles Sturt University. Bachelor Applied Science (Environmental Health) - Swinburne University.

Special responsibilities: Finance Audit & Governance and Business Development & Marketing Committees

Interest in shares: Nil

#### **Dirk Minne Holwerda**

Director (Appointed 31 January 2018)

Retired

Senior executive positions in Local Government, Water Industry and Catchment Management specialising in finance, risk management, communication and corporate services. Involved in elections management for Federal, State and Local Government. Heavily involved in State and local table tennis.

Dirk is assisting the board review its risk management. This includes a review of policies, procedures and manuals.

Special responsibilities: Nil

Interest in shares: Nil

#### **Kerralie Joy Shaw**

Director (Appointed 31 January 2018)

Marketing Strategy Consultant

Director of KK Insights Pty Ltd. Bachelor of Arts, Graduate Diploma Market Modelling, Graduate Australian Institute of Company Directors. Marketing career focusing on consumer buying behaviour in almost all B2C categories. Active member of Inverloch Surf Lifesaving Club.

Special responsibilities: Business Development & Marketing Committee

Interest in shares: Nil

#### **Phillip David Clark**

Director (Appointed 5 July 2018)

Company Director

Chair of Westernport Water, and a member of the Audit & Risk and People & Diversity Committees and Chair of ATEC International, a start-up social enterprise providing bio-digesters to rural Cambodians. Previously; Non-Executive Director and Chair of the Audit and Remuneration Committees of ASX Listed African Energy Resources Ltd, Non-Executive Director of City West Water Ltd and Chair of Engineers Without Borders Ltd. Recent Executive career includes Vice President Resource Development for BHP Billiton.

Special responsibilities: Nil

Interest in shares: Nil



## Directors' report (continued)

### Directors (continued)

#### **Mark Gerard McCormack**

Director (Appointed 1 August 2018)

Civil Engineer

Bachelor of Civil Engineering, Fellow Institute of Engineers Australia (Eng Exec), Chartered Professional Engineer (CPEng), Engineer of Water Supply, Graduate Australian Institute of Company Directors. Over 30 years of experience in engineering and management roles in State Rivers and Water Supply, Mornington Peninsula Water Board, Melbourne Water and South East Water including a number of executive roles. Life member of local cricket club having undertaken various committee positions. Previous positions, committee and association roles in Little Athletics and local football clubs.

Special responsibilities: Nil

Interest in shares: Nil

#### **Trevor Andrew Dando**

Secretary (Resigned 31 January 2018)

Civil Engineer

Civil Engineer, Program Manager Design - Bass Coast Shire Council, Current Director - Tadcorp Enterprises Pty Ltd, Current Director - Rovert Corporation Pty Ltd, Current Director - Ash Hill Corporation Pty Ltd, Current Director/Secretary - Inverloch Surf Life Saving Club Ltd. Qualifications include: Bachelor of Civil Engineering, Advanced Diploma of Management, Diploma of Leadership, Certificate IV in Property Services (Real Estate), Certificate IV in Finance & Mortgage Broking, Graduate of Australian Institute of Company Directors. Trevor is also an Honorary Justice of the Peace.

Special responsibilities: Chair of Business Development & Marketing Committee

Interest in shares: Nil

#### **Maxwell Alexander Warlow**

Deputy Chairperson (Resigned 8 December 2017)

Retired

Qualifications: FCPA CA. Experience: Former Board Member of CPA Victoria, Former Board Member Athletics Essendon Inc (including chairperson, Deputy Chair, Treasurer, Secretary) currently athletics coach - Athletics Essendon Inc. Skills: Formerly (now retired) indirect taxation consultant - producing advice on sales tax, payroll tax, GST.

Special responsibilities: Chairperson - Finance Audit & Governance Committee.

Interest in shares: Nil

Directors were in office for this entire year unless otherwise stated.

No directors have material interests in contracts or proposed contracts with the company.

### **Company Secretary**

The company secretary is Alan Gostelow. Alan was appointed to the position of secretary on 31 January 2018 following the resignation of Trevor Dando.

Alan is an ex-Army Officer and senior manager of several businesses, as well as CEO for three Companies. Graduate Diplomas in Business Administration and Health Administration as well as Company Directors Diploma. Former Company Secretary for three Companies. Currently Community Advisor for Bendigo and Adelaide Bank Limited. Former Director, Chair of the Governance Committee and member of the Audit Committee for Phillip Island Nature Parks. Former member of Several Rotary Clubs and Former Chairman of the Powerboat Division, Yachting Victoria.

Trevor's experience included being a civil engineer and Company Secretary on two Boards and Director on five Boards. His qualifications included a Bachelor of Civil Engineering, Diploma of Leadership, Advanced Diploma of Management and is a graduate of the Australian Institute of Company Directors.

## Directors' report (continued)

### Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank**<sup>®</sup> 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 \$
71,513	50,258

### Operating and financial review

The Company is a franchisee of Bendigo and Adelaide Bank Limited providing financial products and services to individuals, businesses and organisations throughout the local area via the Inverloch & District **Community Bank**<sup>®</sup> Branch. While the Branch offers the full suite of Bendigo and Adelaide Bank Limited products and services, margin earnings from firstly loans and then deposits are the predominant contributor to Company results.

The profit result for the Company for the 2017/18 Financial Year improved over that of the prior year by 42%. Business at the completion of the period at \$104.6M, leaving the Company at the same level as the prior year and was \$6.3M below budget; in addition, Income (\$) per \$M of Business per Month declined with average of \$510 compared with results for 2016/17 with average income of \$522. Notwithstanding these indicators, the year-end earnings before interest and tax (EBIT) of \$98,637 and a margin of 14.3% compared with \$69,143 and a margin of 10.4% for the previous year contributed to an overall result \$790 and 1.0% below budget.

The general nature of the business market for the Company remains challenging and issues commented upon for the prior three Financial Years continue to persist. The Company continues to endure historically low cash rates set by the Reserve Bank that have resulted in a corresponding decline in interest paid on deposit accounts, continuing the trend of lower than anticipated margins for this product group. Moreover, the market competition for home and other loans has made it difficult to achieve budgeted targets. The Company continues to encourage staff to actively pursue new customers and product offerings to offset the intense competition from major financial service providers in the market place.

The Company's base business segments of lending and deposits contribute the major proportion of earnings; however, business achieved for these products during the year has increased the imbalance of the book, where deposits make up 71%, while loans have declined from previous years at 29%.

### Financial Position

The Company continued to improve profitability for the 2017/18 Financial Year and as a result, the Financial Position of the Company has also improved and remains relatively strong. For the forthcoming year the Company will focus on arresting the erosion of the loans book.

The cash position of the Company improved for the reporting year by \$35,595 for a year end balance of \$634,339. Net assets at the end of the period were \$768,357 or \$22,762 more than the corresponding period for the prior year. This can be attributed to the operating profit of \$71,513 for the 2017/18 Financial Year.

### Operating and financial review (continued)

#### Business Strategies

To address the current stage of development of the business and in recognition of the current financial circumstances both in the economy and the observed impact upon the Bendigo profit share model, the Board has determined for the 2016-2021 Financial Years, the Company will focus upon five broad directions:

1. Strengthening our connection and level of engagement between important stakeholders and partners.
2. Strengthening our Directors role in our business structure and key customer and community segments.
3. Defining our future board skill and diversity mix and a structure that will deliver our Strategic Plan.
4. Focussing our business on the most profitable growth opportunities using our own local marketing plans.
5. Planning to achieve our future business performance expectations.

#### Future Prospects

The Company is cognisant that there are few options to expand operations to other locations due to the nature of population disaggregation in our rural area. However, the Company believes that there are opportunities to develop additional revenue through:

1. Acquiring additional customers through community links and a focus on local businesses.
2. Improving the range and number of products and services for each customer.
3. Developing and implementing strategies to improve customer uptake for the Agency.

The Company anticipates that current market conditions are likely to improve marginally during the forthcoming Financial Year due to the flow on effect of the Banking Royal Commission. In this environment the Company will focus upon increasing the number of customers and the uptake of products and services, thereby further improving revenue flow and profitability. The Company will focus improvement on the loans book and correcting the current imbalance with deposits for the forthcoming Financial Year

### Remuneration report

#### Directors' remuneration

No Director receives remuneration for services as a Company Director or Committee Member.

There are no employees who are directly accountable and have responsibility for the strategic direction and operation management of the entity.

There are therefore no specified Executives whose remuneration requires disclosure.

#### Transactions with directors

	\$
Tristan Andrew Creed received remuneration for accounting services carried out by Feathertop Business Services.	15,535

## Directors' report (continued)

### Remuneration report (continued)

#### Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Alan Keith Gostelow	501	-	501
Tristan Andrew Creed	4,000	-	4,000
Domenic Anthony Brusamarello	5,000	-	5,000
Susan Joy Ruffin	-	-	-
Alisha Dee Gilliland	-	-	-
Dirk Minne Holwerda (Appointed 31 January 2018)	-	-	-
Kerralie Joy Shaw (Appointed 31 January 2018)	-	-	-
Phillip David Clark (Appointed 5 July 2018)	-	-	-
Mark Gerard McCormack (Appointed 1 August 2018)			
Trevor Andrew Dando (Resigned 31 January 2018)	-	-	-
Maxwell Alexander Warlow (Resigned 8 December 2017)	-	-	-

#### Community Bank® Directors' Privileges Package

The board has not adopted the **Community Bank®** Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank®** branch at Inverloch. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the directors from the Directors' Privilege Package are \$nil for the year ended 30 June 2018 (2017 \$nil).

#### Dividends

	Year ended 30 June 2018	
	Cents	\$
Dividends paid in the year	6.5	48,751

#### Significant changes in the state of affairs

During the financial, Inverloch & District Financial Enterprises Limited closed its Tarwin agency.

In the opinion of the directors there were no other 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.

## Directors' report (continued)

### Environmental regulation

The company is not subject to any significant environmental regulation.

### 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			
			Business Development & Marketing		Finance, Audit and Governance	
	A	B	A	B	A	B
Alan Keith Gostelow	10	7	8	7	1	-
Tristan Andrew Creed	10	10	8	7	1	1
Domenic Anthony Brusamarello	10	8	8	6	-	-
Susan Joy Ruffin	10	8	-	-	1	-
Alisha Dee Gilliland	10	6	3	4	1	1
Dirk Minne Holwerda (Appointed 31 January 2018)	5	5	-	-	-	-
Kerralie Joy Shaw (Appointed 31 January 2018)	5	4	4	3	-	-
Phillip David Clark (Appointed 5 July 2018)	-	-	-	-	-	-
Mark Gerard McCormack (Appointed 1 August 2018)	-	-	-	-	-	-
Trevor Andrew Dando (Resigned 31 January 2018)	5	5	4	4	-	-
Maxwell Alexander Warlow (Resigned 8 December 2017)	4	4	-	-	1	1

A - eligible to attend

B - number attended

### Proceedings on behalf of the company

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

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



### Non audit services

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

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


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

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

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

Signed in accordance with a resolution of the board of directors at Inverloch, Victoria on 29 August 2018.



**Alan Keith Gostelow,**  
**Chairman**

# Auditor's independence declaration



**Partners in success**

**Chartered Accountants**

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

## **Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Inverloch & District Financial Enterprises Limited**

As lead auditor for the audit of Inverloch & District Financial 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: 29 August 2018

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

**David Hutchings**  
**Lead Auditor**

# Financial statements

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

	Notes	2018 \$	2017 \$
Revenue from ordinary activities	4	692,264	685,502
Employee benefits expense		(326,718)	(342,694)
Charitable donations, sponsorship, advertising and promotion		(35,578)	(51,136)
Occupancy and associated costs		(73,577)	(68,715)
Systems costs		(19,330)	(16,552)
Depreciation and amortisation expense	5	(19,682)	(20,896)
Finance costs	5	-	(1,905)
General administration expenses		(118,742)	(114,461)
<b>Profit before income tax expense</b>		<b>98,637</b>	<b>69,143</b>
Income tax expense	6	(27,124)	(18,885)
<b>Profit after income tax expense</b>		<b>71,513</b>	<b>50,258</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>71,513</b>	<b>50,258</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
Basic earnings per share	20	9.53	6.70

The accompanying notes form part of these financial statements.

## Balance Sheet as at 30 June 2018

	Notes	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	634,339	598,744
Trade and other receivables	8	35,712	34,919
<b>Total current assets</b>		<b>670,051</b>	<b>633,663</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	61,330	64,718
Intangible assets	10	72,564	86,150
<b>Total non-current assets</b>		<b>133,894</b>	<b>150,868</b>
<b>Total assets</b>		<b>803,945</b>	<b>784,531</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	16,853	30,989
Current tax liabilities	11	9,681	2,596
<b>Total current liabilities</b>		<b>26,534</b>	<b>33,585</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	11	9,054	5,351
<b>Total non-current liabilities</b>		<b>9,054</b>	<b>5,351</b>
<b>Total liabilities</b>		<b>35,588</b>	<b>38,936</b>
<b>Net assets</b>		<b>768,357</b>	<b>745,595</b>
<b>EQUITY</b>			
Issued capital	13	729,547	729,547
Retained earnings	14	38,810	16,048
<b>Total Equity</b>		<b>768,357</b>	<b>745,595</b>

The accompanying notes form part of these financial statements.

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

	Notes	Issued capital \$	Retained earnings/ (Accumulated Losses) \$	Total equity \$
Balance at 1 July 2016		729,547	(7,960)	721,587
Total comprehensive income for the year		-	50,258	50,258
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	19	-	(26,250)	(26,250)
<b>Balance at 30 June 2017</b>		<b>729,547</b>	<b>16,048</b>	<b>745,595</b>
Balance at 1 July 2017		729,547	16,048	745,595
Total comprehensive income for the year		-	71,513	71,513
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	19	-	(48,751)	(48,751)
<b>Balance at 30 June 2018</b>		<b>729,547</b>	<b>38,810</b>	<b>768,357</b>

The accompanying notes form part of these financial statements.



## Statement of Cash Flows for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		741,292	731,512
Payments to suppliers and employees		(654,444)	(637,244)
Interest received		16,542	13,067
Interest paid		-	(1,905)
Income taxes paid		(16,336)	(5,105)
<b>Net cash provided by operating activities</b>	<b>15</b>	<b>87,054</b>	<b>100,325</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(2,708)	(2,778)
<b>Net cash used in investing activities</b>		<b>(2,708)</b>	<b>(2,778)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		-	(21,079)
Dividends paid	19	(48,751)	(26,250)
<b>Net cash used in financing activities</b>		<b>(48,751)</b>	<b>(47,329)</b>
<b>Net increase in cash held</b>		<b>35,595</b>	<b>50,218</b>
Cash and cash equivalents at the beginning of the financial year		598,744	548,526
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<b>634,339</b>	<b>598,744</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

For year ended 30 June 2018

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## Note 1. Summary of significant accounting policies

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### 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)

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

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#### 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 \$121,613, 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 Inverloch, 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.

#### 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).

## Notes to the financial statements (continued)

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

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#### b) Revenue (continued)

##### *Revenue calculation*

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

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

##### *Core banking products*

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

##### *Margin*

Margin is arrived at through the following calculation:

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

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

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

##### *Commission*

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

##### *Fee income*

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

##### *Discretionary financial contributions*

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

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

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

## Notes to the financial statements (continued)

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

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#### b) Revenue (continued)

##### Ability to change financial return

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

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

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

Bendigo and Adelaide Bank Limited must give the company 30 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).

##### 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.



## Notes to the financial statements (continued)

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

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#### c) Income tax (continued)

##### *Deferred tax (continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the 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

## Notes to the financial statements (continued)

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

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#### h) Intangibles

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

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

#### i) Payment terms

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

#### j) Borrowings

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

#### k) Financial instruments

##### *Recognition and initial measurement*

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

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

##### *Derecognition*

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

##### *Classification and subsequent measurement*

##### *(i) Loans and receivables*

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

##### *(ii) 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.

## Notes to the financial statements (continued)

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

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#### 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.

#### 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 the financial statements (continued)

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### Note 2. Financial risk management

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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.

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.

## Notes to the financial statements (continued)

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### Note 3. Critical accounting estimates and judgements

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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.



## Notes to the financial statements (continued)

### Note 3. Critical accounting estimates and judgements (continued)

#### 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	561,567	528,669
- services commissions	33,820	58,847
- fee income	47,487	55,714
- market development fund	25,000	27,500
Total revenue from operating activities	667,874	670,730
Non-operating activities:		
- interest received	14,670	14,772
- other revenue	9,720	-
Total revenue from non-operating activities	24,390	14,772
Total revenues from ordinary activities	692,264	685,502

## Notes to the financial statements (continued)

Note 5.	Expenses	2018	2017
		\$	\$
	Depreciation of non-current assets:		
	- plant and equipment	2,812	3,594
	- leasehold improvements	3,284	3,716
	Amortisation of non-current assets:		
	- franchise agreement	2,264	2,264
	- franchise renewal fee	11,322	11,322
		<u>19,682</u>	<u>20,896</u>
	Finance costs:		
	- interest paid	<u>-</u>	<u>1,905</u>
	Bad debts	<u>577</u>	<u>239</u>
	Loss on disposal of non-current assets	<u>-</u>	<u>341</u>
<b>Note 6. Income tax expense</b>			
	The components of tax expense comprise:		
	- Current tax	23,422	17,620
	- Movement in deferred tax	3,702	1,393
	- Under/(over) provision of tax in the prior period	-	(128)
		<u>27,124</u>	<u>18,885</u>
	The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
	Operating profit	98,637	69,143
	Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	27,124	19,014
	Add tax effect of:		
	- non-deductible expenses	-	94
	- timing difference expenses	(3,702)	(1,488)
		<u>23,422</u>	<u>17,620</u>
	Movement in deferred tax	3,702	1,393
	Under/(over) provision of income tax in the prior year	-	(128)
		<u>27,124</u>	<u>18,885</u>

## Notes to the financial statements (continued)

Note 7.	Cash and cash equivalents	2018	2017
		\$	\$
Cash at bank and on hand		19,339	8,744
Term deposits		615,000	590,000
		<u>634,339</u>	<u>598,744</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	19,339	8,744
Term deposits	615,000	590,000
	<u>634,339</u>	<u>598,744</u>

### Note 8. Trade and other receivables

Trade receivables	23,780	20,347
Prepayments	8,507	9,275
Other receivables and accruals	3,425	5,297
	<u>35,712</u>	<u>34,919</u>

### Note 9. Property, plant and equipment

Leasehold improvements		
At cost	114,583	114,583
Less accumulated depreciation	(68,163)	(64,879)
	<u>46,420</u>	<u>49,704</u>
Plant and equipment		
At cost	56,219	53,511
Less accumulated depreciation	(41,309)	(38,497)
	<u>14,910</u>	<u>15,014</u>
Total written down amount	<u>61,330</u>	<u>64,718</u>

## Notes to the financial statements (continued)

Note 9. Property, plant and equipment <i>(continued)</i>	2018	2017
	\$	\$
<b>Movements in carrying amounts:</b>		
Leasehold improvements		
Carrying amount at beginning	49,704	53,420
Additions	-	-
Disposals	-	-
Less: depreciation expense	(3,284)	(3,716)
Carrying amount at end	<u>46,420</u>	<u>49,704</u>
Plant and equipment		
Carrying amount at beginning	15,014	16,171
Additions	2,708	2,778
Disposals	-	(341)
Less: depreciation expense	(2,812)	(3,594)
Carrying amount at end	<u>14,910</u>	<u>15,014</u>
Total written down amount	<u>61,330</u>	<u>64,718</u>
<b>Note 10. Intangible assets</b>		
Franchise fee		
At cost	32,867	32,867
Less: accumulated amortisation	(26,690)	(24,425)
	<u>6,177</u>	<u>8,442</u>
Renewal processing fee		
At cost	114,337	114,337
Less: accumulated amortisation	(83,450)	(72,129)
	<u>30,887</u>	<u>42,208</u>
Goodwill on purchase of agency		
At cost	<u>35,500</u>	<u>35,500</u>
Total written down amount	<u>72,564</u>	<u>86,150</u>

## Notes to the financial statements (continued)

Note 11. Tax	2018	2017
	\$	\$
<b>Current:</b>		
Income tax payable	<u>9,681</u>	<u>2,596</u>
<b>Non-Current:</b>		
Deferred tax assets		
- accruals	<u>1,072</u>	<u>1,073</u>
	<u>1,072</u>	<u>1,073</u>
Deferred tax liability		
- accruals	<u>942</u>	<u>1,457</u>
- property, plant and equipment	<u>9,184</u>	<u>4,967</u>
	<u>10,126</u>	<u>6,424</u>
Net deferred tax liability	<u>(9,054)</u>	<u>(5,351)</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>3,703</u>	<u>1,393</u>

### Note 12. Trade and other payables

Trade creditors	8,710	11,114
Other creditors and accruals	8,143	19,875
	<u>16,853</u>	<u>30,989</u>

### Note 13. Issued Capital

750,010 ordinary shares fully paid (2017: 750,010)	750,010	750,010
Less: equity raising expenses	(20,463)	(20,463)
	<u>729,547</u>	<u>729,547</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.

## Notes to the financial statements (continued)

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### Note 13. Issued Capital (*continued*)

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#### Rights attached to shares (*continued*)

##### (b) *Dividends*

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

##### (c) *Transfer*

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

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

#### Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 187. As at the date of this report, the company had 200 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.

The National Stock Exchange (NSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the 'base number test' is not, as a result the base number clause does not operate whilst the company remains listed on the NSX.

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

## Notes to the financial statements (continued)

Note 14. Retained earnings	2018	2017
	\$	\$
Balance at the beginning of the financial year	16,048	(7,960)
Net profit from ordinary activities after income tax	71,513	50,258
Dividends provided for or paid	(48,751)	(26,250)
Balance at the end of the financial year	<u>38,810</u>	<u>16,048</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	71,513	50,258
Non cash items:		
- depreciation	6,096	7,310
- amortisation	13,586	13,586
- loss on disposal of non-current assets	-	341
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(793)	9,675
- (increase)/decrease in other assets	-	9,791
- increase/(decrease) in payables	(14,136)	5,375
- increase/(decrease) in current tax liabilities	10,788	3,989
Net cash flows provided by operating activities	<u>87,054</u>	<u>100,325</u>

### Note 16. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments:

- not later than 12 months	44,223	43,278
- between 12 months and 5 years	77,390	119,014
	<u>121,613</u>	<u>162,292</u>

The branch premises lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The current lease expires on 25 March 2021, with options for two future terms of five years each, to be exercised three months prior to the expiry date.



## Notes to the financial statements (continued)

Note 17. Auditor's remuneration	2018	2017
	\$	\$
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	5,600	5,500
- share registry services	3,494	2,210
- non audit services	3,110	3,066
	<u>12,204</u>	<u>10,776</u>

## Note 18. Director and related party 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.

### Transactions with Key Management Personnel

Tristan Andrew Creed received remuneration for accounting services carried out by Feathertop Business Services.	15,535	15,535
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Key Management Personnel Shareholdings	2018	2017
Ordinary shares fully paid	9,501	9,501

Detailed shareholding disclosures are provided in the remuneration report, included as part of the directors' report.

Note 19. Dividends provided for or paid	2018	2017
	\$	\$
<i>a. Dividends paid during the year</i>		
Current year dividend		
100% franked dividend - 6.5 cents (2017: 3.5 cents) per share	<u>48,751</u>	<u>26,250</u>

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

## Notes to the financial statements (continued)

Note 19. Dividends provided for or paid <i>(continued)</i>	2018	2017
	\$	\$
<b>b. Franking account balance</b>		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	10,366	12,521
- franking credits that will arise from payment of income tax as at the end of the financial year	9,681	2,596
- 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:	20,047	15,117
- 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	-	-
Net franking credits available	<u>20,047</u>	<u>15,117</u>

### Note 20. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	71,513	50,258
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	750,010	750,010

### Note 21. 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 22. Contingent liabilities and contingent assets

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

## Notes to the financial statements (continued)

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### Note 23. Segment reporting

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

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### Note 24. 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
16C Williams Street Inverloch Vic 3996	16C Williams Street Inverloch Vic 3996

## Notes to the financial statements (continued)

### Note 25. 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	19,339	8,744	615,000	590,000	-	-	-	-	-	-	2.52	2.63
Receivables	-	-	-	-	-	-	-	-	23,780	20,347	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	-	0.00	10.85
Payables	-	-	-	-	-	-	-	-	8,710	11,114	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%	6,343	5,987
Decrease in interest rate by 1%	(6,343)	(5,987)
Change in equity		
Increase in interest rate by 1%	6,343	5,987
Decrease in interest rate by 1%	(6,343)	(5,987)

# Directors' declaration

In accordance with a resolution of the directors of Inverloch & District Financial 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.



Alan Keith Gostelow, Chairman

Signed on the 29th of August 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 Inverloch & District Financial Enterprises Limited

### Report on the audit of the financial statements

#### Our opinion

In our opinion, the financial report of Inverloch & District Financial 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

Inverloch & District Financial 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.

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.

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## Independent audit report (continued)

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.

### Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2018. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Inverloch & District Financial Enterprises Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

There are no key audit matters to disclose for the 30 June 2018 audit.

### Directors' responsibility for the financial report

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

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

### Auditor's responsibility for the audit of the financial report

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

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



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, 3550  
Dated: 29 August 2018



**David Hutchings**  
Lead Auditor



# NSX report

Inverloch & District Financial Enterprises Limited is a public company incorporated in Australia and listed on the National Stock Exchange of Australia (NSX).

## Shareholding

The following table shows the number of shareholders, segregated into various categories based on the total number of shares held.

Number of shares held	Number of shareholders	Number of shares held
1 to 1,000	102	64,853
1,001 to 5,000	69	210,253
5,001 to 10,000	21	201,100
10,001 to 100,000	8	273,804
100,001 and over	-	-
<b>Total shareholders</b>	<b>200</b>	<b>750,010</b>

## Equity securities

Each of the above shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the company.

There are three shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to \$1 per share. There are no unquoted equity securities.

## Ten largest shareholders

The following table shows the 10 largest shareholders.

Shareholder	Number of fully paid shares held	Percentage of issued capital
Cranbourne Discount Centre Pty Ltd <Forster Family Trust A/C>	50,001	6.67
South Coast Pty Ltd <South Coast Super Fund A/C>	50,000	6.67
Rosemary Brooks Pty Ltd <Rosies Superfund A/C>	48,000	6.40
Broadbeach Developments Pty Ltd <Hall Family Super Fund A/C>	30,001	4.00
David Walsh & Vicki Balis <Walsh Family Super Fund A/C>	30,001	4.00
Coppelius Pty Ltd <Jeeralang Design Super Fund>	25,001	3.33
Northern Suburbs Secretarial Services Pty Ltd <Juleton A/C>	20,800	2.77
Violet Beard	20,000	2.67
William Maxwell Brown & Joy Frances Brown <W & J Superannuation Fund A/C>	10,000	1.33
Elizabeth Mary Mc Namara	10,000	1.33
Jaba Nominees Pty Ltd <Aikins Super Fund A/C>	10,000	1.33
Mrs Meegan Peterson	10,000	1.33

## Ten largest shareholders (continued)

Shareholder	Number of fully paid shares held	Percentage of issued capital
Mr Nicholas Peterson	10,000	1.33
Inlet Business Pty Ltd	10,000	1.33
Mr Grant Caldwell	10,000	1.33
Robert Thornton Newton	10,000	1.33
Mrs Marilyn Joy Newton	10,000	1.33
Alan Brown <A&P Brown Family Super Fund>	10,000	1.33
Vincent Patrick Dowling & Miriam Dowling	10,000	1.33
Alan Victor Johnston & Carole Dorothy Johnston <AV & CD Johnston Super A/C>	10,000	1.33
Newton Concreting Pty Ltd	10,000	1.33
Rhonda Kerrie Newton	10,000	1.33
Moreseast Pty Ltd <Moreseast Pty Ltd Superannuation Fund A/C>	10,000	1.33
Michael Rumbold Pakes & Roberta Marie Pakes	10,000	1.33
Neil Alexander Mcarthur & Freda Winifred Mcarthur	10,000	1.33
Kenneth Mervyn Aly & Linda Lorraine Aly	10,000	1.33
	<b>453,804</b>	<b>60.51</b>

## Registered office and principal administrative office

The registered office of the company is located at:

16c Williams Street,  
Inverloch VIC 3996  
Phone: (03) 5674 2800

The principal administrative office of the company is located at:

16c Williams Street,  
Inverloch VIC 3996  
Phone: (03) 5674 2800

## Security register

The security register (share register) is kept at:

AFS & Associates  
61 Bull Street,  
Bendigo VIC  
Phone: (03) 5443 0344

## Company Secretary

The company secretary is Alan Gostelow. Alan was appointed to the position of secretary on 31 January 2018 following the resignation of Trevor Dando.

Alan is an ex-Army Officer and senior manager of several businesses, as well as CEO for three Companies. Graduate Diplomas in Business Administration and Health Administration as well as Company Directors Diploma. Former Company Secretary for three Companies. Currently Community Advisor for Bendigo and Adelaide Bank Limited. Former Director, Chair of the Governance Committee and member of the Audit Committee for Phillip Island Nature Parks. Former member of Several Rotary Clubs and Former Chairman of the Powerboat Division, Yachting Victoria.

Trevor's experience included being a civil engineer and Company Secretary on two Boards and Director on five Boards. His qualifications included a Bachelor of Civil Engineering, Diploma of Leadership, Advanced Diploma of Management and is a graduate of the Australian Institute of Company Directors.

## Corporate governance

The company has implemented various corporate governance practices, which include:

- (a) The establishment of a Finance, Audit and Governance Committee. Members of the Finance, Audit and Governance Committee are: Alan Gostelow, Tristan Creed, Susan Ruffin, Alisha Gilliland, Max Warlow
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Bi-monthly Director meetings to discuss performance and strategic plans.

## Annexure 3

There are no material differences between the information in the company's Annexure 3 and the information in the financial documents in its Annual Report.

## Five year summary of performance

		2014	2015	2016	2017	2018
Gross revenue	\$	615,027	603,315	658,779	685,502	692,264
Net profit before tax	\$	23,490	(9,202)	51,313	69,143	98,637
Total assets	\$	714,444	689,291	772,238	784,531	803,945
Total liabilities	\$	7,911	4,408	50,651	38,936	35,588
Total equity	\$	706,533	684,883	721,587	745,595	768,357
Earnings per share	¢	2.15	0.89	4.89	6.70	9.53
Dividends per share	¢	5.00	2.00	Nil	3.50	6.50
Net tangible assets per share	¢	86.00	85.00	83.00	87.00	92.00
Price earnings ratio	#	41.86	101.12	14.31	10.45	6.30
Closing share price	\$	0.90	0.90	0.70	0.70	0.60

Inverloch & District **Community Bank**<sup>®</sup> Branch  
16C Williams Street, Inverloch VIC 3996  
Phone: (03) 5674 2800 Fax: (03) 5674 3077

Franchisee: Inverloch & District Financial Enterprises Limited  
16C Williams Street, Inverloch VIC 3996  
Phone: (03) 5674 2800 Fax: (03) 5674 3077  
ABN: 13 117 672 590

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