

2018 Annual Report



Moorabool Community
Enterprises Limited

ABN 46 148 907 591

Ballan & District **Community Bank**[®] Branch

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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

Chairman's report

For year ending 30 June 2018



On behalf of the Board of Moorabool Community Enterprises Limited (MCEL), I have great pleasure in presenting this year's Chairman's report.

We are now in our seventh year of operating and as you can see in our financial report, we have continued our strong and steady growth over the last 12 months. I would like to recognise our Branch Manager Luke Calder who has been instrumental in driving the growth of our Ballan & District **Community Bank**[®] Branch. Luke understands how small communities tick having come to Ballan from Avoca. Luke has continued to work hard over the last 12 months attending events and getting to know the key stakeholders of West Moorabool even better. I commend him for his outstanding effort in attending meetings, openings and sponsors' days. Luke has made himself into not only a competent business banker but has also built a great little team of enthusiastic and knowledgeable

staff in the branch. It is no accident that potential customers know who to contact if they have a problem with their existing bank. Thank you Luke and the branch team.

Thanks also to our loyal customers who believe in our **Community Bank**[®] branch and have helped grow it to be the successful **Community Bank**[®] branch that it is today.

To our shareholders, a massive thank you. You backed us at the start and are starting to see some reward for your financial contribution and belief in our bank. We were pleased to pay a 5-cent dividend and return 5% of capital in December 2017. As I said at our recent Community Planning Forum, I do believe that after six and a half years we have become a "big deal" with the money we have invested in local employment, local contractors and service providers, community groups and shareholder returns totalling close to \$2.7 million.

I would also like to thank the members of our volunteer Board. Our role as Directors is not only to steer and govern our company but to also be advocates for our **Community Bank**[®] branch. Our broad base of Board members who represent their local communities including Dunnstown, Bungaree, Clarkes Hill, Springbank, Gordon, Ballan and Myrning is a great asset for the overall strength of our bank. I would also like to sincerely thank James Hay who has just announced that he will be stepping down from our Board. James has been an enthusiastic contributor and advocate for this enterprise from day one. He also was there at the start and did the hard yards in the pledge and capital raising stages of our bank. Thank you James, your experience and knowledge will surely be missed.

Finally, a huge thank you to our Board Support Officer Amanda Griffith. Amanda started with us in July 2017 and over the last 12 months has worked diligently to enhance the effectiveness of our Board. We have reviewed all aspects of how we operate and this work will hold us in good stead as we look to the exciting future ahead.

We have invested just under \$300,000 back into the community through sponsorships, grants and donations to June 2018. Our financial growth has gone from strength to strength. We look forward to funding more significant projects within the community now that we are achieving sustained profits. Remember we support those organisations that support us, so it is most important that the community groups that have received financial support bring some of their members' banking business to our **Community Bank**[®] branch.

I commend this 2017/18 Annual Report to you.

A handwritten signature in black ink that reads "Darren". The signature is stylized and fluid.

Darren Rix
Chairman

Manager's report

For year ending 30 June 2018



It is with great pleasure that I present the Ballan & District **Community Bank**[®] Branch Manager's report for the 2017/18 financial year. We have once again had a very challenging but rewarding environment in banking over the past year. During this period, I am pleased to advise that we have still been able to grow significantly and provide important support back to our local community in the West Moorabool district. This year we returned in excess of \$100,000 to community projects while also declaring further dividends for our valued shareholders. We have contributed almost \$300,000 in community funding since opening in November 2011. We are now only second behind the Moorabool Shire Council for investing much needed grants and sponsorships into the local area.

Despite industry challenges and a tough economic climate, the branch continued to grow by \$24.1 million. This takes the branch's overall footings to \$135.5 million, a 21.5% increase on the previous year. Our customer base has increased from 1,512 to 1,702, an increase of 12.6%. A great achievement for our branch was being named in the Top 10 of all Bendigo Bank branches in the country for Equipment Finance growth.

Results such as these are only achieved by hard work and dedication. I would like to acknowledge our wonderful branch team in Customer Relationship Manager Linda Layton, Customer Relationship Officer Shannen Lacey and our three Customer Service Officer's Sharren Mullane, Shannon Walker and our latest addition Drew Elliott for their commitment to superior customer service and support to our valued stakeholders. The personal service provided to our customers is something we are very proud of. I also thank them for the support and assistance they provide to me.

We must also acknowledge the volunteer members of the Board who continue to support, advocate and work hard for the organisation. This year they have been well assisted by our new Board Support Officer Amanda Griffith whose superior work ethic has taken the company to a new level.

Finally, we would like to thank our cherished shareholders and customers for choosing to put your trust in us. We are only able to provide vital community funding by having your backing. We will continue to honour that trust by committing to our vision of being Australia's most customer connected bank.

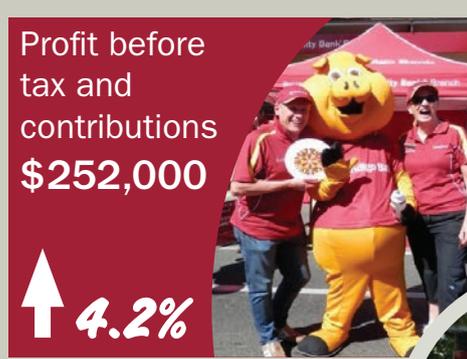
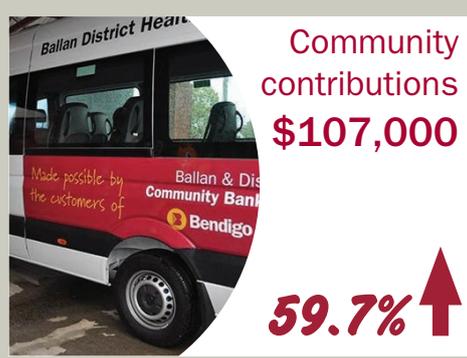
Our success is directly linked to the success of our communities. Assisting our local groups and supporting community events and projects is ultimately valuable for us all.

On behalf of the Ballan & District **Community Bank**[®] Branch team, we look forward to another year of servicing the district, further growing our business and continuing to ensure the success of the Greater Western Moorabool communities.

A handwritten signature in black ink, appearing to read 'Luke Calder', written over a light grey background.

Luke Calder
Branch Manager

2017/18 Financial year highlights



Ballan & District
Community Bank®
 Branch



Branch team
 Ballan & District **Community Bank®** Branch staff, left to right: Shannen Lacey, Sharren Mullane, Shannon Walker, Luke Calder, Drew Elliott and Linda Layton.

Community investment 2011-2018

Investments in Ballan and district since opening in November 2011 to June 2018



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:



Darren Patrick Rix

Chairman

Occupation: Business Owner/ Operator

Qualifications, experience and expertise: Darren operates an AVIS car and truck rental franchise in Ballarat, Bendigo and Western Victoria, Budget car and truck rental franchises in Ballarat and Bendigo and an AVIS truck rental franchise in Footscray. Darren has been in business for 25 years and the rental business for 21 years. He is on the Committee of the Bungaree Football Netball Club and is a Life Member. He is also a member of the Bungaree Recreation Reserve Committee of Management and the Vice Chairman and Director of the Association of Avis Franchises Ltd.

Special responsibilities: Chairman, Asset & Capital Management Committee, Community Engagement & Investment Committee, Strategic Planning Committee

Interest in shares: 17,501



Jennifer Maree Hudson

Company Secretary, Treasurer (*until 2 May 2018*)

Occupation: Finance Manager

Qualifications, experience and expertise: Jennifer holds a Diploma of Business and a Masters of Business Administration and has extensive experience in business management in small to medium enterprises. Jennifer is the Finance Manager for a manufacturing business in Ballarat and is a Past President of the Rotary Club of Wendouree Breakfast. She is also a member of the Australian Institute of Company Directors and an Associate Fellow of the Institute of Managers and Leaders. Jennifer's particular areas of interest in an organisation are strategy and governance.

Special responsibilities: Company Secretary, Treasurer (*until 2 May 2018*), Governance & Risk Committee, Strategic Planning Committee

Interest in shares: 2,001



Robert John Eskdale

Deputy Chairman

Occupation: Consultant Engineer and Town Planner

Qualifications, experience and expertise: Robert is a Civil Engineer who has spent over 24 years in local Government including 12 years as Shire Engineer with the former Ballan Shire Council. For the last 23 years Robert has run his own local Engineering & Town Planning Consultancy. Robert has long standing involvements with the Ballan & District Health & Care (Ballan Hospital), the Ballan Jockey Club and is currently the Chairman of Ballan & District Chamber of Commerce.

Special responsibilities: Deputy Chairman, Chair of Asset & Capital Management Committee

Interest in shares: 16,000

Directors' report (continued)

Directors (continued)



Dominic Gerard Hanrahan

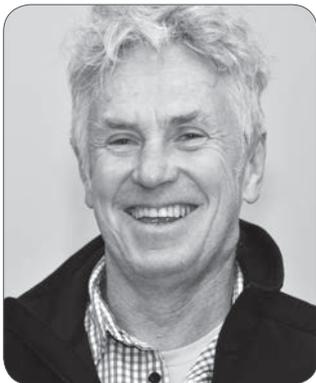
Director

Occupation: Senior Forensic Analyst

Qualifications, experience and expertise: Born in Ballarat, Dominic has lived at Navigators for the past 17 years with his wife and four children. He grew up nearby on a potato farm at Dunnstown and attended St Patrick's College in Ballarat. Dominic graduated from the University of Ballarat with a degree in Applied Science (Computer Science/Laboratory Instrumentation) in 1990. Dominic has been in the Information Technology business for 27 years and works for IBM Australia as a Senior Forensic Analyst. He has NV2 clearance and has performed work for various corporations and government departments. Dominic is licensed as a Private Investigator and holds a Victorian Private Security Licence. Dominic was previously on the St Francis Xavier Primary School Board and prior to that the St Francis Xavier Primary School Parents and Friends Committee. He is a member of the Mt Warrenheip CFA.

Special responsibilities: Community Engagement & Investment Committee.

Interest in shares: 10,334



Mark William Powell

Director

Occupation: Construction

Qualifications, experience and expertise: Mark graduated from La Trobe University with a Bachelor of Economics before embarking on a banking career and is now involved in building and construction. Mark has been an active member of the Myrning community and is on a number of local community boards. Mark was a Board Director of Zoos Victoria.

Special responsibilities: Chair of Strategic Planning Committee, Asset & Capital Management Committee

Interest in shares: 27,501



Helen Margaret Mahar

Director

Occupation: Retired

Qualifications, experience and expertise: Helen is now retired after many years working in various administration roles. Helen has completed a Diploma in Human Resources and Certificate IV in Frontline Management. Helen has been actively involved with the Clarkes Hill Tennis Club, St Mary's Primary School and Loreto College. Helen is a member of the Mollongghip Fire Brigade, Life Member of the Springbank Football Netball Club (SFNC) and has been appointed caretaker of the Life Members of SFNC.

Special responsibilities: Share Liaison Officer, Community Engagement & Investment Committee

Interest in shares: 1,000

Directors' report (continued)

Directors (continued)



Laura Ann Hudson

Director

Occupation: Hospitality Manager

Qualifications, experience and expertise: Laura is a graduate of the Bachelor of Psychological Science from the University of Ballarat. She has been passionately involved in volunteering in the Moorabool area throughout her adolescence and early adulthood. Laura has been a volunteer member of the Bacchus Marsh CFA, a member of the construction crew for the Maddingley Park playground, involved with the Cup Day in the Park Organising Committee, a volunteer with the Neighbours' Place Foodbank and a member of the Bachelor of Psychological Science Representatives Committee during her undergraduate studies. Laura currently volunteers with the Royal South Street Society, primarily in youth music.

Special responsibilities: Community Engagement & Investment Committee

Interest in shares: 500



Helen Fay Tatchell

Director

Occupation: Publisher - Self Employed

Qualifications, experience and expertise: Owner and editor of local newspaper The Moorabool News, over 24 years living in the Ballan community, heavy involvement as a volunteer with local community organisations including: Ballan Tennis Club, Pony Club, Adult Riding Club, Ballan Football Netball Club, Gordon Football Netball Club, St Brigid's Primary School, Ballan Jockey Club, Ballan Autumn Festival and Ballan & District Chamber of Commerce.

Special responsibilities: Chair of Community Engagement & Investment Committee

Interest in shares: 1,000



David Roger Lowery

Director (*Appointed 20 December 2017*), Treasurer (*Appointed 2 May 2018*)

Occupation: Retired

Qualifications, experience and expertise: Roger holds a Certificate of Business Studies, majoring in accounting and is a Graduate of the Australian Institute of Company Directors. Roger has worked in the office equipment and finance industry for 30 years as CEO, CFO and COO primarily. He has owned and run both small and large businesses ranging from \$1 million - \$100 million turnover. Roger is an active member of the Gordon community and is involved in the Gordon CFA, Gordon Auskick and is also a member of the Ballan & District Chamber of Commerce. He has lived in Gordon for the past 20 years with his wife Sandra and is passionate about giving back to the community in which he lives.

Special responsibilities: Treasurer (*appointed 2 May 2018*), Governance & Risk Committee

Interest in shares: 0

Directors' report (continued)

Directors (continued)



Barry Francis Sims

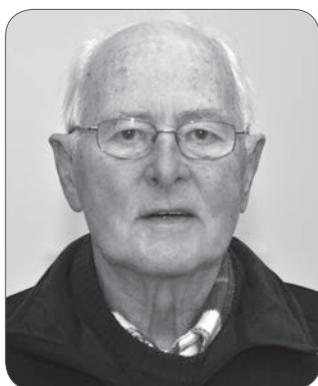
Director (*Appointed 20 December 2017*)

Occupation: Retired

Qualifications, experience and expertise: Barry has lived in the area for more than 40 years and has always supported local businesses. Barry was a local builder, Christmas tree farmer and owner of various small businesses in the region. He has retired, handing the reigns to the third generation of builders. Barry is a former Committee member of the Ballan Football Netball Club and Mt Egerton Tennis Club. He is actively involved with and is a Committee member of the Ballan Golf Club.

Special responsibilities: Asset & Capital Management Committee

Interest in shares: 30,000



James William Hay

Director (*Resigned 20 July 2018*)

Occupation: Farmer

Qualifications, experience and expertise: FRMIT Chemical Engineering and ARMIT Applied Chemistry in 1964. Primary work was Operations Management of Oil Refineries for Mobil Technical Services Inc. (New York) for 20 years. National Manufacturing Manager for Laminex Industries for 4 years then for Olex Cables for four years. He was then Senior Consultant for the American Bureau of Shipping, Singapore for seven years and Director of Accreditation Services for ABS Asia Pacific for three years. After retirement from ABS, was Senior consultant contractor for a further 10 years working as a Risk Safety Engineer.

Special responsibilities: Chair of Governance & Risk Committee

Interest in shares: 7,501

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

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

Company Secretary

The Company Secretary is Jennifer Hudson. Jennifer was appointed to the position of secretary on 21 January 2011.

Jennifer has over 30 years experience in management, administration and finance across a broad range of industries. She holds a Diploma of Business and an MBA in Marketing.

Principal activities

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

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

Operating results

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

Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
104,738	126,449

Directors' report (continued)

Dividends

	Year ended 30 June 2018	
	Cents	\$
Dividends paid in the year	5	37,606

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' report (continued)

Directors' meetings

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

	Board Meetings		Committee Meetings							
			Community Engagement & Investment		Governance & Risk		Asset & Capital Management		Strategic Planning	
	E	A	E	A	E	A	E	A	E	A
Darren Patrick Rix	11	9	4	4	-	-	1	1	2	2
Jennifer Maree Hudson	11	8	-	-	5	5	-	-	2	2
Robert John Eskdale	11	8	-	-	-	-	1	1	-	-
Dominic Gerard Hanrahan	11	10	4	3	-	-	-	-	-	-
Mark William Powell	11	7	-	-	-	-	1	-	2	1
Helen Margaret Mahar	11	9	4	2	-	-	-	-	-	-
Laura Ann Hudson	11	7	4	4	-	-	-	-	-	-
Helen Fay Tatchell	11	5	4	4	3	2	-	-	-	-
David Roger Lowery (<i>Appointed 20 December 2017</i>)	5	5	-	-	2	2	-	-	-	-
Barry Francis Sims (<i>Appointed 20 December 2017</i>)	5	5	-	-	-	-	-	-	-	-
James William Hay (<i>Resigned 20 July 2018</i>)	11	10	-	-	5	4	-	-	-	-

E - eligible to attend A - 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 financial statements.

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

Directors' report (continued)

Non audit services (continued)

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 13.

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



Darren Patrick Rix
Chairman

Auditor's independence declaration



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 Moorabool Community Enterprises Limited

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 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	929,209	778,096
Employee benefits expense		(391,858)	(304,008)
Charitable donations, sponsorship, advertising and promotion		(121,062)	(80,105)
Occupancy and associated costs		(56,074)	(52,608)
Systems costs		(33,973)	(31,074)
Depreciation and amortisation expense	5	(30,466)	(32,889)
Finance costs	5	(1,270)	(1,730)
General administration expenses		(149,972)	(101,269)
Profit before income tax expense		144,534	174,413
Income tax expense	6	(39,796)	(47,964)
Profit after income tax expense		104,738	126,449
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		104,738	126,449
Earnings per share		¢	¢
Basic earnings per share	23	13.93	16.81

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2018

	Notes	2018 \$	2017 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	521,463	424,998
Trade and other receivables	8	84,839	76,011
Total current assets		606,302	501,009
Non-current assets			
Property, plant and equipment	9	144,288	134,176
Intangible assets	10	69,493	82,924
Deferred tax asset	11	7,370	503
Total non-current assets		221,151	217,603
Total assets		827,453	718,612
LIABILITIES			
Current liabilities			
Trade and other payables	12	45,811	27,238
Current tax liabilities	11	21,127	2,529
Borrowings	13	5,538	4,530
Provisions	14	19,479	15,726
Total current liabilities		91,955	50,023
Non-current liabilities			
Borrowings	13	33,584	13,323
Provisions	14	27,122	10,000
Total non-current liabilities		60,706	23,323
Total liabilities		152,661	73,346
Net assets		674,792	645,266
EQUITY			
Issued capital	15	690,987	728,593
Accumulated losses	16	(16,195)	(83,327)
Total equity		674,792	645,266

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Notes	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016		728,593	(194,734)	533,859
Total comprehensive income for the year		-	126,449	126,449
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	22	-	(15,042)	(15,042)
Balance at 30 June 2017		728,593	(83,327)	645,266
Balance at 1 July 2017		728,593	(83,327)	645,266
Total comprehensive income for the year		-	104,738	104,738
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Return of ordinary capital	15	(37,606)	-	(37,606)
Dividends provided for or paid	22	-	(37,606)	(37,606)
Balance at 30 June 2018		690,987	(16,195)	674,792

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		974,124	838,806
Payments to suppliers and employees		(778,375)	(641,689)
Interest received		8,188	9,047
Interest paid		(1,270)	(1,730)
Income taxes paid		(28,065)	-
Net cash provided by operating activities	17	174,602	204,434
Cash flows from investing activities			
Payments for property, plant and equipment		(39,230)	-
Proceeds from property, plant and equipment		15,036	-
Payments for intangible assets		-	(67,153)
Net cash used in investing activities		(24,194)	(67,153)
Cash flows from financing activities			
Return of share capital		(37,606)	-
Proceeds from borrowings		42,400	-
Repayment of borrowings		(5,515)	(4,308)
Transfer of chattel mortgage liability		(15,616)	-
Dividends paid	22	(37,606)	(15,042)
Net cash used in financing activities		(53,943)	(19,350)
Net increase in cash held		96,465	117,931
Cash and cash equivalents at the beginning of the financial year		424,998	307,067
Cash and cash equivalents at the end of the financial year	7(a)	521,463	424,998

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2018

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

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

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating lease of its branch. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to \$114,033 on an undiscounted basis (see Note 18).

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 Ballan, 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:

- 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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).

Revenue calculation

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

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

Commission

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

Fee income

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Discretionary financial contributions

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

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

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

Ability to change financial return

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

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

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

g) Property, plant and equipment

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

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

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

- leasehold improvements 10 - 40 years
- plant and equipment 2.5 - 40 years
- motor vehicles 5 years

h) Intangibles

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

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

i) Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 60 days.

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

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

l) Leases

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

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

m) Provisions

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

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

n) Issued capital

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

o) Earnings per share

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest-rate risk

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

(vi) Capital management

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

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

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

(vi) Capital management (continued)

The distribution limit is the greater of:

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

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 consolidated 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.

	2018 \$	2017 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- gross margin	604,003	514,526
- services commissions	221,082	162,192
- fee income	66,621	60,837
- market development fund	25,000	30,000
Total revenue from operating activities	916,706	767,555
Non-operating activities:		
- interest received	9,548	9,047
- profit on sale of non-current assets	2,955	-
- sundry income	-	1,494
Total revenue from non-operating activities	12,503	10,541
Total revenues from ordinary activities	929,209	778,096

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 5. Expenses		
Depreciation of non-current assets:		
- leasehold improvements	9,392	9,953
- plant and equipment	1,333	1,762
- motor vehicle	6,310	4,888
	17,035	16,603
Amortisation of non-current assets:		
- establishment fee	-	6,667
- franchise fee	2,238	666
- franchise renewal fee	11,193	8,953
	13,431	16,286
	30,466	32,889
Finance costs:		
- interest paid	1,270	1,730
Bad debts	698	82

Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	46,663	2,529
- Movement in deferred tax	(6,867)	(1,145)
- Recoupment of prior year tax losses	-	46,580
	39,796	47,964

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

Operating profit	144,534	174,413
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	39,747	47,964
Add tax effect of:		
- non-deductible expenses	87	-
- timing difference expenses	7,642	1,145
- other deductible expenses	(813)	-
	46,663	49,109
Movement in deferred tax	(6,867)	(1,145)
	39,796	47,964

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 7. Cash and cash equivalents		
Cash at bank and on hand	49,986	75,367
Term deposits	471,477	349,631
	521,463	424,998

Note 7.(a) Reconciliation to Statement of Cash Flows

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	49,986	75,367
Term deposits	471,477	349,631
	521,463	424,998

Note 8. Trade and other receivables

Trade receivables	75,113	66,841
Prepayments	8,366	9,170
Other receivables and accruals	1,360	-
	84,839	76,011

Note 9. Property, plant and equipment

Leasehold improvements		
At cost	168,500	168,500
Less: accumulated depreciation	(66,873)	(57,481)
	101,627	111,019
Plant and equipment		
At cost	34,178	36,001
Less: accumulated depreciation	(25,481)	(27,242)
	8,697	8,759
Motor vehicles		
At cost	37,957	24,442
Less: accumulated depreciation	(3,993)	(10,044)
	33,964	14,398
Total written down amount	144,288	134,176

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 9. Property, plant and equipment (continued)		
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	111,019	120,972
Less: depreciation expense	(9,392)	(9,953)
Carrying amount at end	101,627	111,019
Plant and equipment		
Carrying amount at beginning	8,759	10,521
Additions	1,271	-
Less: depreciation expense	(1,333)	(1,762)
Carrying amount at end	8,697	8,759
Motor vehicles		
Carrying amount at beginning	14,398	19,286
Additions	37,956	-
Disposals	(12,080)	-
Less: depreciation expense	(6,310)	(4,888)
Carrying amount at end	33,964	14,398
Total written down amount	144,288	134,176

Note 10. Intangible assets

Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	-	-
Franchise fee (i)		
At cost	21,192	21,192
Less: accumulated amortisation	(13,730)	(11,492)
	7,462	9,700
Franchise renewal process fee (i)		
At cost	55,961	55,961
Less: accumulated amortisation	(18,654)	(7,461)
	37,307	48,500

Notes to the financial statements (continued)

	Note	2018 \$	2017 \$
Note 10. Intangible assets (continued)			
Ballan agency payout		2,644	2,644
Redomicile fee		22,080	22,080
Total written down amount		69,493	82,924

(i) The company's franchise agreement was renewed with Bendigo and Adelaide Bank Limited for an additional five years on 4 November 2016. The renewal fee consists of the Franchise Fee payment of \$11,192 (ex GST) and Renewal Process Fee of \$55,961 (ex GST). The franchise fees are classed as intangible assets under AASB 138 and therefore are amortised on a straight line basis over the life of the franchise agreement of five years, which equals 20% each year.

Note 11. Tax

Current:

Income tax payable	22	21,127	2,529
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Non-Current:

Deferred tax assets			
- accruals		1,155	743
- employee provisions		14,534	6,215
		15,689	6,958
Deferred tax liability			
- accruals		374	-
- property, plant and equipment		7,945	6,455
		8,319	6,455
Net deferred tax asset		7,370	503
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income		(6,867)	45,435

Note 12. Trade and other payables

Current:

Trade creditors		8,560	10,586
Other creditors and accruals		37,251	16,652
		45,811	27,238

Notes to the financial statements (continued)

	Note	2018 \$	2017 \$
Note 13. Borrowings			
Current:			
Chattel mortgage	18	5,538	4,530
Non-Current:			
Chattel mortgage	18	33,584	13,323

The company entered into a chattel mortgage for a 2017 Mitsubishi Triton on 21 December 2017 for a five year term. Interest is charged at 4.50%. The loan is secured by a fixed and floating charge over the company's assets.

Note 14. Provisions

Current:			
Provision for annual leave		19,479	15,726
Non-Current:			
Provision for long service leave		27,122	10,000

The long service leave is conditional upon an employee attaining seven years service with the company. As the company has operated for less than seven years, no employee has attained seven years service. Once an employee attains seven years service their long service leave entitlement becomes unconditional.

Note 15. Issued capital

752,110 ordinary shares fully paid (2017: 752,110)	752,110	752,110
Less: equity raising expenses	(23,517)	(23,517)
Less: return of capital (i)	(37,606)	-
	690,987	728,593

(i) 5% of capital was returned to shareholders in December 2017 as per the passed resolution at the Annual General Meeting on 22 November 2017.

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.

Notes to the financial statements (continued)

Note 15. Issued capital (continued)

Rights attached to shares (continued)

(a) Voting rights (continued)

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

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 277. As at the date of this report, the company had 297 shareholders.

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

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

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

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

Notes to the financial statements (continued)

	Note	2018 \$	2017 \$
Note 16. Accumulated losses			
Balance at the beginning of the financial year		(83,327)	(194,734)
Net profit from ordinary activities after income tax		104,738	126,449
Dividends paid or provided for	22	(37,606)	(15,042)
Balance at the end of the financial year		(16,195)	(83,327)

Note 17. Statement of cash flows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	104,738	126,449
Non cash items:		
- depreciation	17,035	16,603
- amortisation	13,431	16,286
- profit on disposal of asset	(2,955)	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(8,826)	(4,267)
- (increase)/decrease in other assets	(6,867)	45,435
- increase/(decrease) in payables	18,573	(6,227)
- increase/(decrease) in provisions	20,875	7,626
- increase/(decrease) in tax liabilities	18,598	2,529
Net cash flows provided by operating activities	174,602	204,434

Note 18. Leases

Finance lease commitments

Payable - minimum lease payments:

- not later than 12 months	7,185	4,530
- between 12 months and 5 years	37,269	13,323
- greater than 5 years	-	-
Minimum lease payments	44,454	17,853
Less future finance charges	(5,332)	(1,662)
Present value of minimum lease payments	39,122	16,191

The company entered into a chattel mortgage for a 2017 Mitsubishi Triton on 21 December 2017 for a five year term. Interest is charged at 4.50%. The loan is secured by a fixed and floating charge over the company's assets.

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 18. Leases (continued)		
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	35,087	34,065
- between 12 months and 5 years	78,946	110,711
- greater than 5 years	-	-
	114,033	144,776

The Branch premises lease is a non-cancellable lease with a five-year term, commencing 7 October 2016, with rent payable monthly in advance.

Note 19. Auditor's remuneration

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

- audit and review services	4,400	4,200
- share registry services	7,369	3,135
- non audit services	4,657	2,390
	16,426	9,725

Note 20. Director and related party disclosures

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

Darren Patrick Rix
Jennifer Maree Hudson
Robert John Eskdale
Dominic Gerard Hanrahan
Mark William Powell
Helen Margaret Mahar
Laura Ann Hudson
Helen Fay Tatchell
David Roger Lowery (*Appointed 20 December 2017*)
Barry Francis Sims (*Appointed 20 December 2017*)
James William Hay (*Resigned 20 July 2018*)

Notes to the financial statements (continued)

Note 20. Director and related party disclosures (continued)

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

Transactions with related parties:

	2018 \$	2017 \$
Jennifer Maree Hudson provided bookkeeping and administrative services to the company to the value of:	1,000	12,000
Helen Fay Tatchell was paid for advertising services	5,252	6,000
Darren Patrick Rix supplied a bus for a board bus trip	-	300

Community Bank® Directors' Privileges Package

The board has adopted the **Community Bank®** Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank®** branch at Ballan, Victoria. There is no requirement to own Bendigo and Adelaide Bank Limited 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' Privileges Package are \$808 for the year ended 30 June 2018 (2017: \$773).

Directors' shareholdings

	2018	2017
Darren Patrick Rix	17,501	17,501
Jennifer Maree Hudson	2,001	2,001
Robert John Eskdale	16,000	16,000
Dominic Gerard Hanrahan	10,334	10,334
Mark William Powell	27,501	10,001
Helen Margaret Mahar	1,000	1,000
Laura Ann Hudson	500	500
Helen Fay Tatchell	1,000	1,000
David Roger Lowery (<i>Appointed 20 December 2017</i>)	-	-
Barry Francis Sims (<i>Appointed 20 December 2017</i>)	30,000	-
James William Hay (<i>Resigned 20 July 2018</i>)	7,501	7,501

Mark William Powell purchased 17,500 shares during the 2017-18 financial year. Barry Francis Sims purchased 30,000 shares in the 2016-17 financial year prior to his appointment as a Director.

There were no other movements in directors' shareholdings during the year.

Note 21. Key management personnel disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 22. Dividends paid or provided for		
a. Dividends paid during the year		
Current year dividend		
Unfranked dividend - 5 cents per share (2017: 2 cents)	37,606	15,042
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	28,065	-
- franking credits that will arise from payment of income tax as at the end of the financial year	21,127	2,529
- 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:	49,192	2,529
- 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	49,192	2,529

Note 23. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	104,738	126,449
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	752,110	752,110

Note 24. 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 25. Contingent liabilities and contingent assets

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

Note 26. Segment reporting

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

Notes to the financial statements (continued)

Note 27. Registered office/Principal place of business

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

Registered Office

135 Inglis Street
Ballan VIC 3342

Principal Place of Business

135 Inglis Street
Ballan VIC 3342

Note 28. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 %	2017 %
Financial assets												
Cash and cash equivalents	49,986	75,367	471,477	349,631	-	-	-	-	-	-	2.04	2.18
Receivables	-	-	-	-	-	-	-	-	75,113	66,841	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	5,538	4,530	33,584	13,323	-	-	-	-	3.73	3.63
Payables	-	-	-	-	-	-	-	-	8,560	10,586	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Notes to the financial statements (continued)

Note 28. Financial instruments (continued)

Sensitivity Analysis

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

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

	2018	2017
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	5,215	4,250
Decrease in interest rate by 1%	(5,215)	(4,250)
Change in equity		
Increase in interest rate by 1%	5,215	4,250
Decrease in interest rate by 1%	(5,215)	(4,250)

Directors' declaration

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

In the opinion of the directors:

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

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



Darren Patrick Rix
Chairman

Signed on 29 August 2018

Independent audit report



Partners in success

Chartered Accountants

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

Independent auditor's report to the members of Moorabool Community Enterprises Limited

Report on the audit of the financial statements

Our opinion

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

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

What we have audited

Moorabool Community Enterprises Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

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Independent audit report (continued)

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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



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



David Hutchings
Lead Auditor

Ballan & District **Community Bank**[®] Branch
135 Inglis Street, Ballan VIC 3342
Phone: (03) 5368 1133 Fax: (03) 5368 1778
Email: ballan@bendigoadelaide.com.au

Franchisee: Moorabool Community Enterprises Limited
135 Inglis Street, Ballan VIC 3342
ABN: 46 148 907 591

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