



Annual Report 2017

North Burnett Community
Enterprises Limited

ABN 33 120 578 565

Mundubbera **Community Bank**® Branch

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Chairman's report

For year ending 30 June 2017

Let me begin my Annual Report to shareholders by expressing my belief that the past financial year has been one of many positive achievements. These principally include the continued strong growth of our branch in the banking community of our region, the commitment and strength of the present Board members to ensure the growth and success of our branch, the continued commitment of our Manager and staff to the growth needed to ensure success and the general overall growth in all areas of our financial footings.

Unfortunately, there are some aspects of our operations during the past year which have not been as pleasing to our Board, including the loss of some Directors and staff whose enthusiasm and work for our branch is sorely missed, the ongoing reluctance of some of our shareholders to use our branch as their 'bank of choice' and our inability to make payment of a dividend to our shareholders.

To speak of the achievements, I note that we now operate a new agency in Gayndah, in conjunction with the Ostwald Family of Gayndah Furnishers. I express, on behalf of our Board, our deep appreciation and thanks to the Whelan Family for their long and strident support of our branch operations at Gayndah and their continued support of the Bendigo Bank Brand by allowing the continued use of their premises for our ATM facilities. The Taroom agency has continued to grow. Our staff make regular visits to Taroom to assist in that growth. I would add that we are continuing to face pressure from various communities to extend our operations to their districts, where there are now no banking facilities at all. I note in particular that Eidsvold, Wandoan, Theodore and Miles, to mention but a few, are now towns without any bank branches.

Although we have lost some valuable Directors and staff, we have also gained some great community members who have stepped up to become new and valued Directors. We also have new staff. To all our staff, on behalf of our Board, I express our deep appreciation for your efforts.

In addition, this year we had an extensive refurbishment of our branch office on the 10th anniversary of occupying the current premises.

Our community involvement has continued on, at perhaps an increased level, given that we now have a very active presence in Taroom. All Directors and staff have continued to play an important role in delivering support at many events, including shows, community events, and the continued distribution of funds to many groups supported by our branch during the past year. The amount returned to our communities now sits over the \$500,000 mark.

We have seen the financial footings of our branch grow in the past year from \$64 million, to \$83 million, at the end of June 2017. The approved overdraft facility limit remains at \$75,000, and our fixed borrowings at the 30 June 2017 sit at \$335,000 against our loan limit of \$450,000 and reduced from the figure of \$351,000 as at 30 June 2016.

The financial statements reflect our performance during the past 12 months, which shows a small operating loss of \$2,675, compared to an operating profit of \$42,469 recorded in the 2015/16 financial year.

The overwhelming and primary object of this Board remains, as it has been for the past few years, to pay a dividend to shareholders. Our business is fundamentally strong, the Franchise Agreement entered into by Bendigo Bank and the Board, as well as corporate rules, determine the factors to be satisfied prior to payment of any dividend. Our Board continues to strive to meet the targets set to enable that initial dividend to be paid. I know only too well the effort put in by all current and past Directors and staff to have this goal achieved.

The efforts of all Directors for the past 11 years have been for no personal gain as they work for your bank in a volunteer capacity. For all of their dedication I can only say "Thank you".

Chairman's report (continued)

I add that without the foresight of the community and the investment by shareholders in years past, our town may well find itself without banking facilities, like so many of our country neighbours, who frankly now look at us with some envy. The dividend that shareholders have reaped to date is the employment of five people within our community, the investment of more than \$500,000 in the community and the provision of a banking facility that provides both face-to-face service as well as up-to-date online services.

It is the intention of the current Board to continue with this work. I can only ask that wherever possible you continue to support our efforts.



John Zahl
Chairman

Manager's report

For year ending 30 June 2017

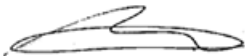
We have never had a year without change.

This year we had major changes in our staff, additions to our Board, changes in government regulations on banking, changes on how our income is derived and a refurbishment of our branch premises after 10 years in residence. If that's not enough, we have had constant change with our customers' needs being influenced by commodity prices and seasonal conditions.

Through all of this we have had a very successful year with great results in our growth of footings and the establishment and development of our agencies in Taroom and Gayndah.

Our results mirror the efforts of our wonderful staff who are our major asset and the reason we succeed. They are the face of our business and they are the conduit to our great client base. Our staff have been the source of some great initiatives that have allowed our business to grow. They attend many events and support many community functions, all in their own time which they volunteer freely. It makes us all proud to stand with our great Board of Directors and feel we have been of benefit to our community.

Our growing business is becoming more vital to our North Burnett and Dawson River communities as the branches of other banks close and leave our towns. We will continue to work together to support our communities, provide essential face-to-face services as well as tech-savvy bank access, whilst investing funds that add to and enhance our communities.



Rob Watt
Branch Manager

Directors' report

For the financial year ended 30 June 2017

Your directors submit the financial statements of the company for the financial year ended 30 June 2017.

Directors

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

Barry John Zahl

Chairman

Occupation: Councillor - NBRC

Qualifications, experience and expertise: Born and educated in Gayndah. Employed in Queensland Justice Department, qualified as a Solicitor in Queensland in 1982, entered private practice before retirement from law to managerial position of Gayndah Fruitgrowers Co-operative, before being elected as Gayndah's Divisional Councillor with North Burnett Regional Council in 2016. Has served in many executive positions in community groups; presently honorary auditor to several community organisations. Current Chairperson of Burnett Inland Economic Development Organisation. Married to Lynda and father of four sons.

Special responsibilities: Human Resources Committee, Director Recruitment and Asset Management Committee

Interest in shares: Nil

Susan Mary Payne

Treasurer

Occupation: Grazier

Qualifications, experience and expertise: Sue was born and bred in Brisbane and transferred to Mundubbera in 1985 as a Second Officer for Westpac. Now married with 2 children, Sue runs a cattle breeding and fattening property in the Monogorilby/Cadarga area with her husband Rick and son Joe. Sue also works off farm for Education Qld as a Business Manager at Monogorilby State School. Since coming to Mundubbera she has had continual involvement in both Monogorilby and Mundubbera communities, and has held executive & member positions in several organisations. She has an interest in enhancing community cohesion and vibrancy, and brings her knowledge of finance to the Board. Sue was appointed to the Board on 19th August 2013 and became Treasurer in November 2013.

Special responsibilities: Finance, Governance, Audit, Assets & Risk Management Committee

Interest in shares: 2,000

Alexandra Winter O'Neill

Secretary

Occupation: Grazier

Qualifications, experience and expertise: Alex grew up in Brisbane and qualified as a Solicitor in 1976. She came to Mundubbera in 1979 and ran a legal practice for 6 years. Alex has held many roles in Community organisations and has always valued the community spirit that exists in the Mundubbera district. A former Councillor in AgForce Queensland, she retains an interest in landcare, tourism and community development. She and her husband James run a beef cattle business in the Hawkwood district. Alex was appointed to the Board on 28th March 2011 and became Secretary of Mundubbera Financial Services Limited in July 2011.

Special responsibilities: Finance, Governance, Audit, Assets & Risk Management Committee

Interest in shares: 50,000

Directors' report (continued)

Directors (continued)

Louise Katherine Newman

Director

Occupation: Technical Officer

Qualifications, experience and expertise: A Mundubbera girl, Louise studied Environmental Management at University of Queensland graduating with Honours in 2006. During her university days she worked orchards around Mundubbera and moved back to town to work in the agriculture and environment industry with the Burnett Catchment Care Association. She currently resides in Toowoomba working in agriculture research with the Queensland government. She is a volunteer with the local SES and has been involved with many community events including the Mundubbera Centenary in 2012, the Mundubbera Show, and the Mundubbera Country Markets. She joined the Board on 21st January 2013.

Special responsibilities: Public Relations & Business Development Committee

Interest in shares: 1,000

Amanda Lee Wenck

Director (Appointed 31 January 2017)

Occupation: Self-employed Graphic Designer

Qualifications, experience and expertise: A Gayndah girl, Amanda has a background in Journalism and Community Development. Amanda has been Secretary to the Board of BIEDO and has held other community roles. She has a young family and runs her own graphic design business in Gayndah. She has involvement in a number of community organisations.

Special responsibilities: Marketing Committee

Interest in shares: Nil

Anton Darryl Thornton

Director (Appointed 31 January 2017)

Occupation: Owner/operator compost production business

Qualifications, experience and expertise: Born in Brisbane, after school Anton moved to the Darling Downs for various roles in farming enterprises. He has been employed in sales and in business enterprises. Anton is self-employed, running a commercial compost production business with truck and skidder hire. He and his wife run cattle on their small block near Gurgeena. Married with three children, one of whom was the first Mundubbera **Community Bank** Scholarship recipient. Anton has always enjoyed being involved with community groups.

Special responsibilities: Public Relations & Business Development Committee

Interest in shares: Nil

Letetia Maree Berthelson

Director (Appointed 28 February 2017)

Occupation: Asset Administration Officer

Qualifications, experience and expertise: Letetia has resided in Mundubbera since 1991. She is married to Mark and has three sons. Letetia is employed by North Burnett Regional Council in the Asset Department. Letetia and her husband have owned and operated a commercial and stud cattle grazing enterprise since 1991. Letetia holds a Certificate III in Children Services, Business & Administration, along with Financial Services. She was employed by the **Community Bank**[®] branch for 9.5 years and is involved in a number of community organisations.

Special responsibilities: Finance, Governance, Audit, Assets & Risk Management Committee

Interest in shares: 1,000

Directors' report (continued)

Directors (continued)

Brianna Kate Hockey

Director (Appointed 28 March 2017)

Occupation: Solicitor

Qualifications, experience and expertise: Brianna is a solicitor based in Bundaberg who regularly visits Mundubbera to work at the firm's Mundubbera office. Born and raised in Monto, Brianna attended the Rockhampton Grammar School for her secondary education and then studied Law and Accounting at the Queensland University of Technology in Brisbane. Brianna remains involved in the Monto community as the Miss Showgirl and Rural Ambassador co-ordinator and has involvement within the wider Ag show movement at a sub chamber and state level. She also volunteers with the Taylor Street Community Legal Service and is honorary solicitor for a number of North Burnett Show Societies.

Special responsibilities: Public Relations & Business Development Committee

Interest in shares: Nil

Jan-Adele Sharon Hotz

Director (Resigned 16 January 2017)

Occupation: Registered Nurse - Director of Nursing Mundubbera Hospital

Qualifications, experience and expertise: Growing up in Monto, Jan-Adele has a great understanding of the North Burnett community. She completed a Bachelor of Health Science (Nursing) in 2000, and a Post Graduate Certificate in Advanced Nursing Practice (Rural and Remote) in 2009. Jan-Adele came to Mundubbera in 2007 and worked at Gayndah, Eidsvold and Monto Hospitals as a Clinical Nurse. She was appointed Director of Nursing at Mundubbera Hospital in 2009 and is Facility Manager of Mundubbera MHPS. She has interests in Health, and Building Community Resilience and social cohesion. With her husband Neil she has interests in a cattle grazing business. Jan-Adele and Neil have two children and Jan-Adele is involved in local school and sporting groups. Jan-Adele is also the 2016 North Burnett Regional Council Australia Day Citizen of the year.

Special responsibilities: Public Relations & Business Development Committee

Interest in shares: 2,000

Johan-Sebastian Simon

Director (Resigned 27 July 2016)

Occupation: Operations Manager

Qualifications, experience and expertise: Johan spent 11 years in retail and business banking, from local to State position levels in S.A, N.T and Qld. Johan has an interest in risk management and has advanced analytical skills. He supports the local community in positions of Auxiliary Fireman and is Pastoral carer for Pacific Seasonal orchard workers.

Special responsibilities: Finance, Governance, Audit, Assets & Risk Management Committee

Interest in shares: Nil

Paul Jeffrey Dare

Director (Resigned 15 July 2016)

Occupation: Pastor

Qualifications, experience and expertise: Pastor at Mundubbera for 7 years. Been involved in community groups. Qualifications include MBA, MDiv, GradDipMinistry and BEng (Aerospace). Previous employment was army for 20 years followed by a stint as engineering manager at Sikorsky Australia.

Special responsibilities: Human Resources, Director Recruitment & Asset Management Committee, Public Relations & Business Development Committee.

Interest in shares: 2,500

Directors' report (continued)

Directors (continued)

Susan Jane Keune

Director (Resigned 3 July 2016)

Occupation: Community Development Stream Leader North B Burnett Regional Council

Qualifications, experience and expertise: Sue, with her husband Garnet, owns a hardware Store in Mundubbera. She has had finance ledger experience with large companies, at present she is employed by North Burnett Regional Council as the Community Development Stream Leader with the North Burnett Regional Council. Sue holds a Diploma in Human Resources, Diploma of Accounting and Diploma of Business (Management) and is a Justice of the Peace.

Special responsibilities: Human Resources, Director Recruitment & Asset Management Committee

Interest in shares: 5,000

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 Alex O'Neill. Alex was appointed to the role of secretary in July 2011.

Alex has extensive legal knowledge accumulated during her years as a practicing solicitor and as a member of many community groups.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2017	Year ended 30 June 2016
\$	\$
(2,379)	22,144

Dividends

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

Significant changes in the state of affairs

The Gayndah agency was temporarily closed during the period when it was relocated. 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.

Directors' report (continued)

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

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:

	Directors' Meetings	
	Eligible	Attended
Barry John Zahl	11	11
Alexandra Winter O'Neill	11	10
Louise Katherine Newman	11	10
Susan Mary Payne	11	10
Amanda Wenck (Appointed 31 January 2017)	6	4
Anton Darryl Thornton (Appointed 31 January 2017)	6	5
Letetia Maree Berthelsen (Appointed 28 February 2017)	5	4
Brianna Kate Hockey (Appointed 28 March 2017)	4	3
Jan-Adele Sharon Hotz (Resigned 16 January 2017)	5	4
Johan-Sebastian Simon (Resigned 27 July 2016)	1	1
Paul Jeffrey Dare (Resigned 15 July 2016)	-	-
Susan Jane Keune (Resigned 3 July 2016)	-	-

Three Board sub-Committees continue to operate:

- finance, governance, audit, assets and risk management
- human resources, director recruitment and asset management
- public relations and business development.

These sub committees meet on an ad hoc basis and report to Board meetings as required.

Directors' report (continued)

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

Signed in accordance with a resolution of the board of directors at Mundubbera, Queensland on 28 August 2017.



Barry John Zahl,
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 North Burnett Community Enterprises Limited

As lead auditor for the audit of North Burnett Community Enterprises Limited for the year ended 30 June 2017, 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: 28 August 2017

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 2017

	Notes	2017 \$	2016 \$
Revenue from ordinary activities	4	635,867	597,150
Employee benefits expense		(360,366)	(298,401)
Charitable donations, sponsorship, advertising and promotion		(37,443)	(38,032)
Occupancy and associated costs		(35,973)	(36,468)
Systems costs		(19,742)	(19,979)
Depreciation and amortisation expense	5	(16,141)	(20,584)
Finance costs	5	(11,838)	(16,066)
General administration expenses		(157,039)	(125,151)
Profit/loss before income tax		(2,675)	42,469
Income tax (expense)/credit	6	296	(20,325)
Profit/(loss) after income tax		(2,379)	22,144
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		(2,379)	22,144
Earnings per share		¢	¢
Basic earnings per share	22	(0.39)	3.67

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2017

	Notes	2017 \$	2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	-	18,376
Trade and other receivables	8	20,000	43,821
Total Current Assets		20,000	62,197
Non-Current Assets			
Property, plant and equipment	9	133,894	101,311
Intangible assets	10	63,795	4,621
Deferred tax asset	11	226,397	226,101
Total Non-Current Assets		424,086	332,033
Total Assets		444,086	394,230
LIABILITIES			
Current Liabilities			
Trade and other payables	12	28,898	30,536
Borrowings	13	27,333	-
Provisions	14	5,073	8,573
Total Current Liabilities		61,304	39,109
Non-Current Liabilities			
Trade and other payables	12	46,862	-
Borrowings	13	335,000	351,000
Provisions	14	4,241	5,063
Total Non-Current Liabilities		386,103	356,063
Total Liabilities		447,407	395,172
Net Liabilities		(3,321)	(942)
Equity			
Issued capital	15	572,563	572,563
Accumulated losses	16	(575,884)	(573,505)
Total Equity		(3,321)	(942)

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2017

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015	572,563	(595,649)	(23,086)
Total comprehensive income for the year	-	22,144	22,144
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2016	572,563	(573,505)	(942)
Balance at 1 July 2016	572,563	(573,505)	(942)
Total comprehensive income for the year	-	(2,379)	(2,379)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2017	572,563	(575,884)	(3,321)

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		715,952	654,978
Payments to suppliers and employees		(679,663)	(575,922)
Interest paid		(11,838)	(16,066)
Net cash provided by operating activities	17	24,451	62,990
Cash flows from investing activities			
Payments for property, plant and equipment		(40,970)	(455)
Payments for intangible assets		(13,190)	-
Net cash used in investing activities		(54,160)	(455)
Cash flows from financing activities			
Repayment of borrowings		(16,000)	(49,000)
Net cash used in financing activities		(16,000)	(49,000)
Net increase/(decrease) in cash held		(45,709)	13,535
Cash and cash equivalents at the beginning of the financial year		18,376	4,841
Cash and cash equivalents at the end of the financial year	7(a)	(27,333)	18,376

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2017

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

There are a number of amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2016, and are therefore relevant for the current financial year.

None of these amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

There are also a number of accounting standards and interpretations issued by the Australian Accounting Standards Board (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 2016. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

Only AASB 16 Leases, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. This revised standard will require the branch lease to be capitalised.

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 Mundubbera, Queensland.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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).

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

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.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or 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 consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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 company 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 excess.

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 40 years
- plant and equipment 2.5 - 40 years

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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.

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) 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

l) Leases (continued)

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) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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.

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

(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 2017 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- gross margin	405,418	335,800
- services commissions	134,885	155,973
- fee income	58,783	54,684
- market development fund	36,458	50,000
Total revenue from operating activities	635,544	596,457
Non-operating activities:		
- other revenue	323	693
Total revenue from non-operating activities	323	693
Total revenues from ordinary activities	635,867	597,150

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	2,756	1,919
- leasehold improvements	5,406	4,801

Amortisation of non-current assets:

- franchise agreement	1,330	2,311
- franchise renewal fee	6,649	11,553

16,141 **20,584**

Finance costs:

- interest paid	11,838	16,066
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Bad debts	158	770
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Loss on disposal of assets	225	-
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Note 6. Income tax expense/(credit)

The components of tax expense/(credit) comprise:

- Future income tax benefit attributable to losses	(12,892)	-
- Movement in deferred tax	12,596	6,237
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	8,222
- Recoupment of prior year tax losses	-	8,367
- Under/(Over) provision of tax in the prior period	-	(2,501)
	(296)	20,325

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 6. Income tax expense/(credit) (continued)		
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense/(credit) as follows		
Operating profit/(loss)	(2,675)	42,469
Prima facie tax on profit/(loss) from ordinary activities at 27.5% (2016: 28.5%)	(735)	12,103
Add tax effect of:		
- non-deductible expenses	500	-
- timing difference expenses	(12,657)	(3,736)
	(12,892)	8,367
Movement in deferred tax	12,596	6,237
Adjustment to deferred tax to reflect change of tax rate in future periods	-	8,222
Under/(Over) provision of income tax in the prior year	-	(2,501)
	(296)	20,325

Note 7. Cash and cash equivalents

Cash at bank and on hand - **18,376**

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	-	18,376
Bank overdraft	(27,333)	-
	(27,333)	18,376

Note 8. Trade and other receivables

Trade receivables	18,812	36,026
Prepayments	1,188	7,795
	20,000	43,821

Note 9. Property, plant and equipment

Leasehold improvements

At cost	170,971	157,476
Less accumulated depreciation	(69,453)	(70,574)
	101,518	86,902

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 9. Property, plant and equipment (continued)		
Plant and equipment		
At cost	75,034	54,311
Less accumulated depreciation	(42,658)	(39,902)
	32,376	14,409
Total written down amount	133,894	101,311
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	86,902	91,703
Additions	20,247	-
Disposals	(225)	-
Less: depreciation expense	(5,406)	(4,801)
Carrying amount at end	101,518	86,902
Plant and equipment		
Carrying amount at beginning	14,409	15,873
Additions	20,723	455
Disposals	-	-
Less: depreciation expense	(2,756)	(1,919)
Carrying amount at end	32,376	14,409
Total written down amount	133,894	101,311

Note 10. Intangible assets

Franchise fee		
At cost	32,746	21,554
Less: accumulated amortisation	(22,114)	(20,784)
	10,632	770
Renewal processing fee		
At cost	113,729	57,768
Less: accumulated amortisation	(60,566)	(53,917)
	53,163	3,851
Total written down amount	63,795	4,621

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 11. Tax		
Non-Current:		
Deferred tax assets		
- accruals	743	715
- employee provisions	2,561	3,750
- tax losses carried forward	238,507	225,615
	241,811	230,080
Deferred tax liability		
- property plant and equipment	15,414	3,979
	15,414	3,979
Net deferred tax asset	226,397	226,101
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(296)	20,325

Note 12. Trade and other payables

Current:		
Trade creditors	4,210	9,013
Other creditors and accruals	24,688	21,523
	28,898	30,536
Non-Current:		
Other creditors and accruals	46,862	-

Note 13. Borrowings

Current:		
Overdraft	27,333	-

The overdraft facility has an approved limit of \$75,000, and a rolling renewal date. Interest is recognised at a rate of 3.795%. The overdraft is secured by a fixed and floating charge over the company's assets.

Non-Current		
Bank loans	335,000	351,000

The bank loan is an interest only variable non-residential secured loan for \$400,000. Interest is recognised at a rate of 4.46%. The loan is secured by a fixed and floating charge over the company's assets.

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 14. Provisions		
Current:		
Provision for annual leave	5,073	8,573
Non-Current:		
Provision for long service leave	4,241	5,063

Note 15. Contributed equity

603,409 ordinary shares fully paid (2016: 603,409)	603,409	603,409
Less: equity raising expenses	(30,846)	(30,846)
	572,563	572,563

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Notes to the financial statements (continued)

Note 15. Contributed equity (continued)

Prohibited shareholding interest (continued)

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 195. As at the date of this report, the company had 212 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.

	2017	2016
	\$	\$
Note 16. Accumulated losses		
Balance at the beginning of the financial year	(573,505)	(595,649)
Net profit/(loss) from ordinary activities after income tax	(2,379)	22,144
Balance at the end of the financial year	(575,884)	(573,505)

Note 17. Statement of cash flows

Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by operating activities

Profit/(loss) from ordinary activities after income tax	(2,379)	22,144
Non cash items:		
- depreciation	8,162	6,720
- amortisation	7,979	13,864
- loss on disposal of asset	225	-

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 17. Statement of cash flows (continued)		
Changes in assets and liabilities:		
- (increase)/decrease in receivables	23,821	(5,308)
- (increase)/decrease in other assets	(54,259)	20,325
- increase/(decrease) in payables	45,224	12,812
- increase/(decrease) in provisions	(4,322)	(7,567)
Net cash flows provided by operating activities	24,451	62,990

Note 18. 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	22,483	5,626
- between 12 months and 5 years	79,951	-
- greater than 5 years	-	-
	102,434	5,626

The branch premises lease is a non-cancellable lease with a five year term, with rent payable monthly in advance. Rent is increased annually in December by CPI. The lease was renewed in December 2016 and has a further five year term available.

Note 19. Auditor's remuneration

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

- audit and review services	4,200	4,100
- share registry services	1,885	1,800
- non audit services	2,760	2,690
	8,845	8,590

Notes to the financial statements (continued)

Note 20. Director and related party disclosures

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

Barry John Zahl
Alexandra Winter O'Neill
Louise Katherine Newman
Susan Mary Payne
Amanda Wenck (Appointed 31 January 2017)
Anton Thornton (Appointed 31 January 2017)
Letetia Maree Berthelsen (Appointed 28 February 2017)
Brianna Kate Hockey (Appointed 28 March 2017)
Jan-Adele Sharon Hotz (Resigned 16 January 2017)
Johan-Sebastian Simon (Resigned 27 July 2016)
Paul Jeffrey Dare (Resigned 15 July 2016)
Susan Jane Keune (Resigned 3 July 2016)

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

	2017	2016
Directors' Shareholdings		
Barry John Zahl	-	-
Alexandra Winter O'Neill	50,000	50,000
Louise Katherine Newman	1,000	1,000
Susan Mary Payne	2,000	2,000
Amanda Wenck (Appointed 31 January 2017)	-	-
Anton Thornton (Appointed 31 January 2017)	-	-
Letetia Maree Berthelsen (Appointed 28 February 2017)	1,000	1,000
Brianna Kate Hockey (Appointed 28 March 2017)	-	-
Jan-Adele Sharon Hotz (Resigned 16 January 2017)	-	-
Johan-Sebastian Simon (Resigned 27 July 2016)	-	-
Paul Jeffrey Dare (Resigned 15 July 2016)	2,500	2,500
Susan Jane Keune (Resigned 3 July 2016)	5,000	5,000

There was no movement in directors' shareholdings during the year.

Notes to the financial statements (continued)

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.

	2017	2016
	\$	\$

Note 22. Earnings per share

(a) Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	(2,379)	22,144
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	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	603,409	603,409

Note 23. Events occurring after the reporting date

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

Note 24. Contingent liabilities and contingent assets

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

Note 25. Segment reporting

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

Note 26. Registered office/Principal place of business

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

Registered Office
54 Lyons Street
Mundubbera QLD 4626

Principal Place of Business
54 Lyons Street
Mundubbera QLD 4626

Notes to the financial statements (continued)

Note 27. 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					
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 %	2016 %
Financial assets												
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	18,376	Nil	Nil
Receivables	-	-	-	-	-	-	-	-	18,812	36,026	N/A	N/A
Financial liabilities												
Interest bearing liabilities	27,333	-	335,000	351,000	-	-	-	-	-	-	3.86	4.46
Payables	-	-	-	-	-	-	-	-	4,210	9,013	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.

Notes to the financial statements (continued)

Note 27. Financial instruments (continued)

Sensitivity Analysis (continued)

As at 30 June 2017, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2017	2016
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	(3,623)	(3,510)
Decrease in interest rate by 1%	3,623	3,510
Change in equity		
Increase in interest rate by 1%	(3,623)	(3,510)
Decrease in interest rate by 1%	3,623	3,510

Directors' declaration

In accordance with a resolution of the directors of North Burnett 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 2017 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.



Barry John Zahl,
Chairman

Signed on the 28th of August 2017.

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 North Burnett Community Enterprises Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of North Burnett 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 2017 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards.

What we have audited

North Burnett 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: 28 August 2017



David Hutchings
Lead Auditor

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