



# Annual Report 2017

Port Sorell District Community  
Enterprises Limited

ABN 71 161 238 231

Port Sorell District **Community Bank**<sup>®</sup> Branch

# Contents

---

<b>Chairman's report</b>	<b>2</b>
<b>Manager's report</b>	<b>3</b>
<b>Directors' report</b>	<b>4</b>
<b>Auditor's independence declaration</b>	<b>10</b>
<b>Financial statements</b>	<b>11</b>
<b>Notes to the financial statements</b>	<b>15</b>
<b>Directors' declaration</b>	<b>34</b>
<b>Independent audit report</b>	<b>35</b>

# Chairman's report

---

For year ending 30 June 2017

This is my third Annual Report that covers a full 12 months of the operation of our branch.

I am pleased to report that our net result is on budget and that your Board and staff continue to work hard resulting in a reduced trading loss and a continuation towards profitability.

Over the past 12 months we have continued to experience small growth in the Tasmanian and Australian economies with slow wage growth and continuing low interest rates prevailing for both investors and borrowers.

Your Directors continue to seek new and innovative ways to grow the business with some success. We have witnessed an increase in income margins as well as being successful in keeping our operating costs under strict control.

The co-branding with Rural Bank has seen an influx of rural business over the past year.

February 2017 saw the successful launch of an agency in Latrobe with all training of the agency staff being carried out by the staff of our Port Sorell District **Community Bank**<sup>®</sup> Branch. Whilst the agency has only been open for a short time, the growth in customer numbers and the interest shown continues to be encouraging and we commend the agency and branch staff for their efforts in this regard.

Your Board invited all clubs and organisations to attend public meetings held in Latrobe and Port Sorell. Most clubs and sporting organisations in the region were represented and we received more than 90 recommendations suggesting how our sponsorships could assist to make the towns and regions that make up the Latrobe municipality better places to live, work and play!

I am pleased to report that the amount and number of sponsorships continue to increase and that we have witnessed some great results from relatively small financial investments as these contributions have empowered individuals and organisations to take a step forward and achieve goals that may not have been achieved without the **Community Bank**<sup>®</sup> branch's support.

Nationally, **Community Bank**<sup>®</sup> branches have returned \$165 million to their communities, of which approximately \$5 million has been distributed in Tasmania. During the ensuing fiscal period, your Board is hoping that our sponsorship budget will be oversubscribed. May I remind you that banking with us, your **Community Bank**<sup>®</sup> branch, benefits our community.

On behalf of the Board of Directors, I would like to recognise and thank our staff and all those volunteering on our Board for their support and dedication over the past 12 months.

As a shareholder, we thank you for your support. If you are banking with your **Community Bank**<sup>®</sup> branch, thank you. If all your financial needs are not being met through our branch, please enter a discussion with our branch staff to investigate what products and services may assist you in meeting your financial goals and needs. I also ask that, as a shareholder, you introduce your family and friends so that they too may have those discussions about their financial goals and needs.

Together we will continue to build our capacity to make a positive difference in our community.



**Jack Van Tatenhove**  
Chairman

# Manager's report

---

For year ending 30 June 2017

This is my third report as Branch Manager of the Port Sorell District **Community Bank**<sup>®</sup> Branch and after a year of consolidation, this year has proven to be very challenging from a growth perspective. Our overall total business holdings have remained stagnant at \$40 million, which on the surface appears disappointing and does require some clarification.

We have been significantly impacted by the loss of substantial business through various means out of our direct control, whether that be sale of assets to reduce debt, aggressive pricing from competitors or restructure of businesses. It is also worth mentioning that now that we have been in operation for over three years, our loan book is impacted by natural repayment as well as property turnover which then requires more new business to be written to achieve growth.

What is pleasing to note is that we have a good mix of both deposit and lending products on our balance sheet and this has resulted in us being able to increase our revenue significantly from the previous year. We have also been able to keep our expenses at a low base and we are always looking for ways to become more efficient in this area.

The bottom line is that we need to grow our overall balances significantly in order to increase both our margin, commission and fee income. We here in the branch are working very hard along with all stake holders, such as Rural Bank, Business Banking and our State Support team to achieve strong growth this financial year.

It is also my pleasure to report that the Latrobe agency which we opened at the Latrobe Newsagency, is proving to be quietly successful, with a high number of new accounts being opened and transaction volume increasing steadily. The agency is able to generate income through commissions paid for new accounts and transaction volume and is a win-win for not only the agency itself, but also the **Community Bank**<sup>®</sup> branch. All new business written through the agency goes onto the **Community Bank**<sup>®</sup> company balance sheet and it gives our staff a great opportunity to have conversations with customers that we wouldn't normally have the chance to talk to, not only about our great products and services, but also the wonderful work we do in the community.

We have received outstanding support from Bendigo Bank via our State Office Support in regard to the cost of setting up the agency as well as paying all commission to the agency while it establishes itself. Special thanks to Stewart Nankervis, Robert Herbert and Kim Johnson for their wonderful support through this phase which was at times a challenging process. Also my personal thanks to Cherylene, Michelle and Jeanice at the agency for their patience and great support in getting this project up and running. I'm expecting great things from them this year!

I also need to acknowledge the wonderful team here at Port Sorell that have been here since I commenced in my role. It is wonderful to work with such a vibrant, friendly and professional team, so thanks to Helen, Julie and Josh for their ongoing support.

Thanks also to the Board members for performing their roles in what has been a challenging year, with special thanks to Chairman Jack for his commitment to our bank becoming successful. I would also like to acknowledge the great work that the Marketing Committee has done over the last twelve months which is indicated by the substantial amount that we have given back to this wonderful community.

It is only by the support of shareholders and the local community that we can continue to provide organisations, charities, schools and those in need, with this financial assistance. The best way that you can support us is by becoming a Port Sorell District **Community Bank**<sup>®</sup> Branch customer! We have a great range of full banking services at very competitive pricing and the team here are more than willing to help you out. From changing your day to day bank accounts over, to insurance needs, to borrowing for that farm, house or business down the road, we can discuss any banking need with you!



**Phil Martin**  
**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:

### **Jacobus Cornelus Arie Van Tatenhove**

Chairman

Occupation: Retired

Qualifications, experience and expertise: Diploma in Management and Cert IV Training and Assessment. Senior Fellow Financial Services Institute of Australia. Director and Chairman since 2012 and has been involved with the Port Sorell District **Community Bank**<sup>®</sup> Branch since 2010. 39 years experience in banking and financial services in the equipment finance, consumer, retail, construction, and rural industries. He also has 10 years experience advising businesses on corporate and financial strategies, governance, and business efficiency. He is also Director and Treasurer of the Volunteer Ambulance Officers Association of Tasmania, and active volunteer at Port Sorell's Ambulance officer base.

Special responsibilities: Chairman of Board of Directors, member of Governance and Strategy Committee, Human Resources Committee

Interest in shares: 2,002

### **Robert William Atkinson**

Treasurer/Secretary

Occupation: Chartered Accountant

Qualifications, experience and expertise: Fellow of Chartered Accountants Australia and New Zealand, past President of Institute of Chartered Accountants in Australia. Registered tax agent, company auditor, and SMSF auditor. Owner of an accountancy and manufacturing business. Member of the Camp Banksia Management Committee and Chair of Devonport and Central Coast Councils Shared Audit Panel.

Special responsibilities: Treasurer/Secretary, Governance & Strategy Committee

Interest in shares: 5,001

### **Michael Baxter**

Director

Occupation: Company Director

Qualifications, experience and expertise: Operator of a retail business. Director of an IGA Supermarket for 28 years, logging contractor for 16 years, and current director of KCB Developments.

Special responsibilities: Sponsorship and Marketing Committee, OHS and Premises Committee

Interest in shares: 33,501

### **Robert Owen Beveridge**

Director

Occupation: Retired

Qualifications, experience and expertise: Former member of Latrobe Council for 14 years. Past President of Latrobe Apex and Rotary Clubs. Past farmer for 30 years and stock agent for 33 years. Past National President of Apex 40.

Special responsibilities: Sponsorship and Marketing Committee, Human Resources Committee

Interest in shares: 2,001

# Directors' report (continued)

---

## Directors (continued)

### **Jennifer Margaret Donnelly**

Director

Occupation: Day Spa Owner/Therapist

Qualifications, experience and expertise: Advanced Diploma of Business. Former CEO of Lifeline North West Tasmania for 7 years. Associate Diploma of Family Therapy Counselling and Diploma of Remedial Massage.

Special responsibilities: Sponsorship and Marketing Committee, Human Resources Committee

Interest in shares: 1,001

### **Catherine Therese Arnold**

Director

Occupation: Business Proprietor

Qualifications, experience and expertise: 27 years experience in the operation of a printing business plus 11 years involvement in vineyard establishment and cellar door operations. Member of several tourism group committees.

Special responsibilities: Sponsorship and Marketing Committee, Human Resources Committee

Interest in Shares: 10,000

### **Malcolm Albert Lester**

Director

Occupation: Land Surveyor

Qualifications, experience and expertise: Fellow of Australian Institute of Company Directors. Director and Chair of Lester Franks Survey & Geographic Pty Ltd; CSQC Certification Pty Ltd; and Aus Labour and Recruitment Pty Ltd. Bachelor of Surveying. Certified Practising Planner.

Special responsibilities: Governance and Strategy Committee

Interest in shares: 5,000

### **Dianne Elphinstone**

Director (Appointed 27 October 2016)

Occupation: Farmer

Qualifications, experience and expertise: Dianne is involved in the Agricultural Industry, taking an active part in the family business for over 50 years. Holds the position of Director/Secretary of our Company. Previously employed in the banking industry. Foundation Member of the Thirlstane Golf Club, treasurer of the ladies committee for 5 years. Have served on other committees in the past years. Founding Member of Tasmanian Women in Agriculture and was involved in the formation of the Rubicon Group. Have been a member of the Mersey Community Hospital Auxiliary for 18 years, a volunteer with Life Line, working in the Latrobe shop for 15 years.

Special responsibilities: Sponsorship and Marketing Committee

Interest in shares: Nil

### **Whitney Lee Banfield**

Director (Appointed 23 March 2017)

Occupation: Business Adviser - Accountant

Qualifications, experience and expertise: Bachelor of Commerce (U of N), member of the Chartered Accountants Australia & New Zealand and advanced Diploma of Accounting (Tafe). Member of Devonport Chamber Of Commerce Young Leaders Committee, member of Sally Blenkhorn Foundation and an employee at Crowe Horwath.

Special responsibilities: Nil

Interest in shares: Nil

# Directors' report (continued)

---

## Directors (continued)

### **Gregory John Preece**

Director (Appointed 22 June 2017)

Occupation: Retired

Qualifications, experience and expertise: Previously Senior Manager in local government including General Manager of Meander Valley Council for 11 years and Dorset Council for 6 years. Civil Engineer with experience in sub-division and municipal works. Representative of local Government on various boards and working groups in natural resource management, physical activity, planning, etc.

Special responsibilities: Nil

Interest in shares: Nil

### **Rachel Hannah Nichols**

Director (Resigned 27 October 2016)

Occupation: Human Resource Manager

Qualifications, experience and expertise: Bachelor of Business and a Bachelor of Science, triple major in Management, Plant Science and Geography. Recipient of the UTAS Vice Chancellor's Leadership Award 2012. 'Green steps' Graduate 2012. Past member Rotary Club of Central Coast. Graduate Certificate of Professional Accounting. Involved in community choir 'Right on Cue'.

Special responsibilities: Minute secretary, Governance and Strategy Committee

Interest in shares: Nil

### **Geoffrey Arthur Taylor**

Director (Resigned 23 March 2017)

Occupation: Retired

Qualifications, experience and expertise: Fellow Australian Property Institute. Diploma of Land Valuation. Past occupation for 47 years as a Certified Practising Valour, specialising in commercial and rural valuations. Past director for Camp Banksia Controlling Authority. Patron of Devonport Hockey Club.

Special responsibilities: Governance and Strategy Committee, OHS and Premises Committee

Interest in shares: 5,001

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 Robert William Atkinson. Robert was appointed to the position of secretary on 24 April 2014.

Qualifications, experience and expertise: Rob is a Chartered Accountant with over 50 years experience in public practice. He is a registered company auditor and has chaired audit committees and the boards of small and medium-sized organisations.

## **Principal Activities**

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

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

# Directors' report (continued)

---

## Operating results

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

Year ended 30 June 2017 \$	Year ended 30 June 2016 \$
(110,454)	(164,401)

## Dividends

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

## Significant changes in the state of affairs

In March, 2017 Bendigo and Adelaide Bank opened an agency in Latrobe, Tasmania. A revenue sharing arrangement between Bendigo and Adelaide Bank and the company similar to that which exists for the branch at Shearwater, will apply to margins, commission and fee income derived from products, accounts and services provided through the agency. No establishment costs of the agency were incurred by the company and ongoing costs of oversight of the agency and providing services to clients introduced through the agency are considered to be unlikely to materially effect the operations of the company.

## 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 19 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 Attended		Sponsorship & Marketing Sub-Committee		Governance & Strategy	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Jacobus Cornelus Arie Van Tatenhove	12	11	-	-	1	1
Robert William Atkinson	12	9	-	-	1	1
Michael Baxter	12	2	11	2	-	-
Robert Owen Beveridge	12	10	11	9	-	-
Jennifer Margaret Donnelly	12	7	11	10	-	-
Catherine Therese Arnold	12	11	11	11	-	-
Malcolm Albert Lester	12	2	-	-	1	1
Dianne Elphinstone <sup>1</sup>	8	6	7	6	-	-
Whitney Lee Banfield <sup>2</sup>	3	3	-	-	-	-
Gregory John Preece <sup>3</sup>	1	1	-	-	-	-
Rachel Hannah Nichols <sup>4</sup>	4	2	-	-	-	-
Geoffrey Arthur Taylor <sup>5</sup>	9	2	-	-	1	-

1 - Appointed 27 October 2016

4 - Resigned 27 October 2016

2 - Appointed 23 March 2017

5 - Resigned 23 March 2017

3 - Appointed 22 June 2017

## 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.

# 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 10.

Signed in accordance with a resolution of the board of directors at Port Sorell, Tasmania on 22 September 2017.



**Jacobus Cornelus Arie Van Tatenhove,**  
**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 Port Sorell District Community Enterprises Ltd

As lead auditor for the audit of Port Sorell District Community Enterprises Ltd 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: 22 September 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	312,045	257,425
Employee benefits expense		(246,588)	(258,164)
Charitable donations, sponsorship, advertising and promotion		(25,299)	(22,572)
Occupancy and associated costs		(42,447)	(46,584)
Systems costs		(39,346)	(34,524)
Depreciation and amortisation expense	5	(35,890)	(37,306)
Finance costs	5	(2,534)	-
General administration expenses		(66,558)	(74,801)
<b>Loss before income tax credit</b>		<b>(146,617)</b>	<b>(216,526)</b>
Income tax credit	6	36,163	52,125
<b>Loss after income tax credit</b>		<b>(110,454)</b>	<b>(164,401)</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>(110,454)</b>	<b>(164,401)</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
Basic earnings per share	21	(12.45)	(18.53)

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Balance Sheet as at 30 June 2017

	Notes	2017 \$	2016 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	-	8,727
Trade and other receivables	8	15,544	14,515
<b>Total Current Assets</b>		<b>15,544</b>	<b>23,242</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	189,759	203,649
Intangible assets	10	36,962	58,962
Deferred tax asset	11	188,562	152,399
<b>Total Non-Current Assets</b>		<b>415,283</b>	<b>415,010</b>
<b>Total Assets</b>		<b>430,827</b>	<b>438,252</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	10,153	20,427
Borrowings	13	113,303	-
<b>Total Current Liabilities</b>		<b>123,456</b>	<b>20,427</b>
<b>Total Liabilities</b>		<b>123,456</b>	<b>20,427</b>
<b>Net Assets</b>		<b>307,371</b>	<b>417,825</b>
<b>Equity</b>			
Issued capital	14	848,286	848,286
Accumulated losses	15	(540,915)	(430,461)
<b>Total Equity</b>		<b>307,371</b>	<b>417,825</b>

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 \$
<b>Balance at 1 July 2015</b>	<b>848,286</b>	<b>(266,060)</b>	<b>582,226</b>
Total comprehensive income for the year	-	(164,401)	(164,401)
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
<b>Balance at 30 June 2016</b>	<b>848,286</b>	<b>(430,461)</b>	<b>417,825</b>
<b>Balance at 1 July 2016</b>	<b>848,286</b>	<b>(430,461)</b>	<b>417,825</b>
Total comprehensive income for the year	-	(110,454)	(110,454)
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
<b>Balance at 30 June 2017</b>	<b>848,286</b>	<b>(540,915)</b>	<b>307,371</b>

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 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		348,484	285,198
Payments to suppliers and employees		(470,514)	(446,777)
Interest received		-	1,677
<b>Net cash used in operating activities</b>	<b>16</b>	<b>(122,030)</b>	<b>(159,902)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		-	(2,668)
<b>Net cash used in investing activities</b>		<b>-</b>	<b>(2,668)</b>
<b>Net decrease in cash held</b>		<b>(122,030)</b>	<b>(162,570)</b>
Cash and cash equivalents at the beginning of the financial year		8,727	171,297
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<b>(113,303)</b>	<b>8,727</b>

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**<sup>®</sup> branch at Port Sorell, Tasmania.



# 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**<sup>®</sup> branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**<sup>®</sup> 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**<sup>®</sup> branch franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice and assistance in relation to:

- design, layout and fit out of the **Community Bank**<sup>®</sup> 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

Over the period from September 2013 to February 2015, Bendigo and Adelaide Bank Limited conducted a review of the **Community Bank**<sup>®</sup> model, known as ‘Project Horizon’. This was conducted in consultation with the **Community Bank**<sup>®</sup> network. The objective of the review was to develop a shared vision of the **Community Bank**<sup>®</sup> model that positions it for success now and for the future.

# Notes to the financial statements (continued)

---

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

### b) Revenue (continued)

#### Revenue calculation (continued)

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, director and staff development and a sustainable financial model. This includes changes to the financial return for **Community Bank**<sup>®</sup> companies from 1 July 2016. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products is through margin share. Margin on core banking products are shared on a 50/50 basis.

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.

From 1 July 2016 the Bendigo and Adelaide Bank moved to a Funds Transfer Pricing (FTP) calculation methodology for Margin Income that is shared with **Community Bank**<sup>®</sup> branches and adjusted the products that earn margin income. Briefly, FTP is a method used to measure how much each account or product contributes to overall profitability, given the current cost of funding. For loans (assets), the FTP rate reflects the cost of the use of funds, and for deposits (liabilities), the FTP rate represents remuneration for providing the funds.

Products and services on which margin is paid include variable rate deposits and variable rate home loans together with, from 1 July 2016, Bendigo Bank branded at call deposits, term deposits and home loans.

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 using the Funds Transfer Pricing (FTP) calculation methodology. 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.

# 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**<sup>®</sup> 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**<sup>®</sup> 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.

As discussed above in relation to Project Horizon, among other things, there have been changes in the financial return for **Community Bank**<sup>®</sup> companies from 1 July 2016 with all core banking products becoming margin products and a funds transfer pricing methodology being introduced as the method of calculation of the cost of funds, deposit return and margin.

The Board is of the view that after one year from the implementation of the above changes the impact of the changes to revenue is minimal and, going forward, it is considered that the changes are unlikely to have a material effect on the company’s future financial performance.

# Notes to the financial statements (continued)

---

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

### **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.

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**

The company has entered into an agreement with Bendigo & Adelaide Bank Limited for the provision of all employee services required in the operation of its franchise business. All employee entitlements including salaries, annual leave, sick leave, long service leave and workers' compensation claims are the responsibility of Bendigo & Adelaide Bank Limited as is the payment of any related employee costs such as payroll tax, superannuation contributions and workers' compensation insurance premiums. A monthly charge for the services provided is made to the company by Bendigo & Adelaide Bank Limited including actual salaries paid and an appropriate surcharge for the other accrued entitlements and on-costs.

### **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.

# Notes to the financial statements (continued)

---

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

### **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

### **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.

# 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) 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) 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.

# Notes to the financial statements (continued)

---

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

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

## Note 2. Financial risk management

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

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

### (i) Market risk

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

### (ii) Price risk

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

### (iii) Credit risk

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

### (iv) Liquidity risk

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

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

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

### (vi) Capital management

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

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

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%.

# Notes to the financial statements (continued)

---

## Note 2. Financial risk management (continued)

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.

### 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.



# Notes to the financial statements (continued)

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

### Impairment of assets (continued)

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.

	2017 \$	2016 \$
--	------------	------------

## Note 4. Revenue from ordinary activities

### Operating activities:

- gross margin	184,898	130,743
- services commissions	63,343	73,519
- fee income	23,804	18,986
- market development fund	40,000	32,500
<b>Total revenue from operating activities</b>	<b>312,045</b>	<b>255,748</b>

### Non-operating activities:

- interest received	-	1,677
<b>Total revenue from non-operating activities</b>	<b>-</b>	<b>1,677</b>
<b>Total revenues from ordinary activities</b>	<b>312,045</b>	<b>257,425</b>

## Note 5. Expenses

### Depreciation of non-current assets:

- plant and equipment	11,906	13,272
- leasehold improvements	1,984	2,034

### Amortisation of non-current assets:

- franchise agreement	2,000	2,000
- establishment fee	20,000	20,000
	<b>35,890</b>	<b>37,306</b>

## Notes to the financial statements (continued)

	Note	2017 \$	2016 \$
Note 5. Expenses (continued)			
Finance costs:			
- interest paid		1,159	-
- borrowing expenses		1,375	-
		<b>2,534</b>	-
<b>Bad debts</b>		-	<b>48</b>

### Note 6. Income tax credit

The components of tax credit comprise:

- Future income tax benefit attributable to losses		(35,948)	(57,620)
- Movement in deferred tax		(215)	(47)
- Adjustment to deferred tax to reflect change to tax rate in future periods		-	5,542
		<b>(36,163)</b>	<b>(52,125)</b>

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

Operating loss		(146,617)	(216,526)
Prima facie tax on loss from ordinary activities at 27.5% (2016: 28.5%)		(40,320)	(61,710)
Add tax effect of:			
- non-deductible expenses		6,306	6,270
- timing difference expenses		215	47
- other deductible expenses		(2,149)	(2,227)
		<b>(35,948)</b>	<b>(57,620)</b>
Movement in deferred tax		(215)	(47)
Adjustment to deferred tax to reflect change of tax rate in future periods		-	5,542
		<b>(36,163)</b>	<b>(52,125)</b>

### Note 7. Cash and cash equivalents

Cash at bank and on hand		-	8,727
--------------------------	--	---	-------

#### 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		-	8,727
Bank overdraft	13	(113,303)	-
		<b>(113,303)</b>	<b>8,727</b>

## Notes to the financial statements (continued)

	2017 \$	2016 \$
<b>Note 8. Trade and other receivables</b>		
Trade receivables	5,965	485
Prepayments	8,440	10,471
Other receivables and accruals	1,139	3,559
	<b>15,544</b>	<b>14,515</b>

## Note 9. Property, plant and equipment

Leasehold improvements		
At cost	84,145	84,145
Less accumulated depreciation	(6,779)	(4,795)
	<b>77,366</b>	<b>79,350</b>
Plant and equipment		
At cost	158,913	158,913
Less accumulated depreciation	(46,520)	(34,614)
	<b>112,393</b>	<b>124,299</b>
<b>Total written down amount</b>	<b>189,759</b>	<b>203,649</b>
<b>Movements in carrying amounts:</b>		
Leasehold improvements		
Carrying amount at beginning	79,350	81,384
Additions	-	-
Disposals	-	-
Less: depreciation expense	(1,984)	(2,034)
<b>Carrying amount at end</b>	<b>77,366</b>	<b>79,350</b>
Plant and equipment		
Carrying amount at beginning	124,299	134,903
Additions	-	2,668
Disposals	-	-
Less: depreciation expense	(11,906)	(13,272)
<b>Carrying amount at end</b>	<b>112,393</b>	<b>124,299</b>
<b>Total written down amount</b>	<b>189,759</b>	<b>203,649</b>

## Notes to the financial statements (continued)

	2017 \$	2016 \$
<b>Note 10. Intangible assets</b>		
Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(6,640)	(4,640)
	<b>3,360</b>	<b>5,360</b>
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(66,398)	(46,398)
	<b>33,602</b>	<b>53,602</b>
<b>Total written down amount</b>	<b>36,962</b>	<b>58,962</b>

## Note 11. Tax

### Non-Current:

Deferred tax assets		
- accruals	714	714
- borrowing expenses	215	-
- tax losses carried forward	187,633	151,685
	<b>188,562</b>	<b>152,399</b>
Net deferred tax asset	188,562	152,399
<b>Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income</b>	<b>(36,163)</b>	<b>(52,125)</b>

## Note 12. Trade and other payables

### Current:

Trade creditors	1,267	9,906
Other creditors and accruals	8,886	10,521
	<b>10,153</b>	<b>20,427</b>

## Note 13. Borrowings

### Current:

<b>Bank overdraft</b>	<b>113,303</b>	-
-----------------------	----------------	---

The bank overdraft has an approved limit of \$200,000 and is secured by a fixed and floating charge over the company's assets. Interest is charged according to the Business Solutions Non-Residential Security varying interest rate per agreement with Bendigo and Adelaide Bank Limited. The current interest rate is 3.705% (2016: N/A) per annum.

# Notes to the financial statements (continued)

	2017 \$	2016 \$
<b>Note 14. Contributed equity</b>		
887,362 ordinary shares fully paid (2016: 887,362)	887,362	887,362
Less: equity raising expenses	(39,076)	(39,076)
	<b>848,286</b>	<b>848,286</b>

## 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**<sup>®</sup> 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 193. As at the date of this report, the company had 218 shareholders.

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

# Notes to the financial statements (continued)

## Note 14. Contributed equity (continued)

### Prohibited shareholding interest (continued)

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 \$
<b>Note 15. Accumulated losses</b>		
Balance at the beginning of the financial year	(430,461)	(266,060)
Net loss from ordinary activities after income tax	(110,454)	(164,401)
<b>Balance at the end of the financial year</b>	<b>(540,915)</b>	<b>(430,461)</b>

## Note 16. Statement of cash flows

Reconciliation of loss from ordinary activities after tax to net cash used in operating activities

Loss from ordinary activities after income tax	(110,454)	(164,401)
Non cash items:		
- depreciation	13,890	15,306
- amortisation	22,000	22,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(1,050)	9,300
- (increase)/decrease in other assets	(36,163)	(52,125)
- increase/(decrease) in payables	(10,253)	10,018
<b>Net cash flows used in operating activities</b>	<b>(122,030)</b>	<b>(159,902)</b>

## Notes to the financial statements (continued)

	2017 \$	2016 \$
<b>Note 17. Leases</b>		
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	26,225	25,462
- between 12 months and 5 years	13,113	38,192
	<b>39,338</b>	<b>63,654</b>

The operating lease is a non-cancellable lease commencing 1 Jan 2014 with a five-year term, with two further 5 year options to extend available.

## Note 18. Auditor's remuneration

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

- audit and review services	4,200	4,100
- non audit services	1,555	1,672
	<b>5,755</b>	<b>5,772</b>

## Note 19. Director and related party disclosures

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

Jacobus Cornelus Arie Van Tatenhove  
Robert William Atkinson  
Michael Baxter  
Robert Owen Beveridge  
Jennifer Margaret Donnelly  
Catherine Therese Arnold  
Malcolm Albert Lester  
Dianne Elphinstone (Appointed 27 October 2016)  
Whitney Lee Banfield (Appointed 23 March 2017)  
Gregory John Preece (Appointed 22 June 2017)  
Rachel Hannah Nichols (Resigned 27 October 2016)  
Geoffrey Arthur Taylor (Resigned 23 March 2017)

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

## Notes to the financial statements (continued)

	2017 \$	2016 \$
<b>Note 19. Director and related party disclosures (continued)</b>		
Transactions with related parties:		
Director Robert Atkinson is principal of Beach Business & Financial Pty Ltd and provides the company with accounting & bookkeeping services.	9,735	10,950
Director Michael Baxter is owner of the local supermarket and supplies the company with office supplies and staff requisites.	221	383
Director Catherine Arnold is part owner of a printing business and supplied the company with envelopes and brochures	1,519	-

	2017	2016
<b>Directors' Shareholdings</b>		
Jacobus Cornelus Arie Van Tatenhove	2,002	2,002
Robert William Atkinson	5,001	5,001
Michael Baxter	33,501	33,501
Robert Owen Beveridge	2,001	2,001
Jennifer Margaret Donnelly	1,001	1,001
Catherine Therese Arnold	10,000	10,000
Malcolm Albert Lester	5,000	5,000
Dianne Elphinstone (Appointed 27 October 2016)	-	-
Whitney Lee Banfield (Appointed 23 March 2017)	-	-
Gregory John Preece (Appointed 22 June 2017)	-	-
Rachel Hannah Nichols (Resigned 27 October 2016)	-	-
Geoffrey Arthur Taylor (Resigned 23 March 2017)	5,001	5,001

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

## Note 20. 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 21. Earnings per share

(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(110,454)	(164,401)
--	-----------	-----------

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	887,362	887,362



# Notes to the financial statements (continued)

## Note 22. Events occurring after the reporting date

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

## Note 23. Contingent liabilities and contingent assets

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

## Note 24. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**<sup>®</sup> services in Port Sorell, Tasmania pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

## Note 25. 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

Shop 3, 2-4 Club Drive  
Shearwater TAS 7307

### Principal Place of Business

Shop 3, 2-4 Club Drive  
Shearwater TAS 7307

## Note 26. Financial instruments

### Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 %	2016 %
<b>Financial assets</b>												
Cash and cash equivalents	-	8,727	-	-	-	-	-	-	-	-	Nil	8.25
Receivables	-	-	-	-	-	-	-	-	5,965	485	N/A	N/A
<b>Financial liabilities</b>												
Interest bearing liabilities	113,303	-	-	-	-	-	-	-	-	-	3.80	0.00
Payables	-	-	-	-	-	-	-	-	1,267	9,906	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.

# Notes to the financial statements (continued)

---

## Credit Risk

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

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

## Interest Rate Risk

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

## Sensitivity Analysis

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

As at 30 June 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:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Change in profit/(loss)		
Increase in interest rate by 1%	(1,133)	87
Decrease in interest rate by 1%	1,133	(87)
Change in equity		
Increase in interest rate by 1%	(1,133)	87
Decrease in interest rate by 1%	1,133	(87)

# Directors' declaration

---

In accordance with a resolution of the directors of Port Sorell District 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.



**Jacobus Cornelus Arie Van Tatenhove,  
Chairman**

Signed on the 22nd of September 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 Port Sorell District Community Enterprises Ltd

### Report on the audit of the financial statements

#### Our opinion

In our opinion, the financial report of Port Sorell District Community Enterprises Ltd 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

Port Sorell District Community Enterprises Ltd'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.

Taxation | Audit | Business Services

Liability limited by a scheme approved under Professional Standards Legislation. ABN 51 061 795 337

# 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: 22 September 2017



**David Hutchings**  
Lead Auditor

Port Sorell District **Community Bank**<sup>®</sup> Branch  
Shop 3, 2-4 Club Drive, Shearwater TAS 7307  
Phone: (03) 6428 8883 Fax: (03) 6428 8884

Franchisee: Port Sorell District Community Enterprises Limited  
Shop 3, 2-4 Club Drive, Shearwater TAS 7307  
Phone: 0456 883 776 Fax: (03) 6428 8884  
ABN: 71 161 238 231

[www.bendigobank.com.au/port-sorell](http://www.bendigobank.com.au/port-sorell)  
(BNPAR17112) (09/17)



[bendigobank.com.au](http://bendigobank.com.au)

