Annual Report 2018

Wantirna Community Financial Services Limited

ABN 43 118 000 230

Wantirna **Community Bank**® Branch

Contents

Chairman's report

For year ended 30 June 2018

On behalf of the Board, I have great pleasure in providing this report covering the financial year ended 30 June 2018.

Financial performance

Our total banking business increased by $3.470m to $84.845m during the year.

Our operating profit before tax was $32,055 compared to $35,644 in the previous year. This is slightly down on last year .

We have been able to increase our revenue slightly by 3.3% over the previous year. However, our expenses increased by 4.3% resulting in the slight decrease in profit compared to the previous year.

Whilst we have been able to maintain profitability during the year we haven't been able to grow our revenue as quickly as we would have liked.

The Directors have recommended that no dividend be declared payable based on this result. We would prefer to see a sustained increase in revenue and profitability before being in a position to recommend payment of a dividend to our shareholders.

We still continue to operate in an economic environment with very low interest rates and margins within the banking industry. The competition from other banks is more competitive than it has ever been before, with tightening margins on products and aggressive marketing within the national banking sector. Borrowers are making the most of the low interest rates to repay debt quicker and are demonstrating a willingness to change financial institutions to seek an alternative borrowing arrangement.

These conditions are again not expected to change markedly in the immediate future making return to sustained profitability difficult to achieve in that period.

Community involvement

This year we have contributed a further $24,901 to the community in the form of sponsorships, advertising and marketing. We have supported a number of trivia events, local sporting clubs and local community groups as part of our commitment to being a community-based bank. Our main driver in sponsoring these groups is to endeavor to ensure that there is a financial return flowing back into the company from these contributions wherever possible.

With a view to developing new customers we have invested resources into developing our Wantirna **Community Bank®** Facebook page in order to attract customers who use social media. It was considered important to tap into the market of social media users. This investment will continue into next year and the results will be assessed. We trust that you have visited our Facebook page and will share it with your friends.

Our Staff

During the year both our Branch Manager and Customer Relations Officer resigned from the bank. We have employed John Tiganis as our new Branch Manager from 16 July 2018 and at the date of this report were still interviewing for a replacement for the CRO . We welcome John to the business and thank the remaining staff who have strived to provide great service to our customers and have endeavored to generate new business for

Chairman's report *(continued)*

the bank during the year, despite being short staffed on several occasions.

We trust that John and his staff will be able to continue to grow the business in 2019 financial year.

Board performance

At Board level Paul Bravender-Coyle resigned during the year. We thank Paul for his contribution to the **Community Bank®** company and the Wantirna community.

We also welcomed new director Rodger Stephens to the Board during the year. We would like to thank all Directors and committee members who have given so much of their time voluntarily in the last year, to assist in the running of the Board. It is a big commitment and much appreciated. Our thanks also go to our Executive Officer Chelsea, for her great contribution in helping to make the Board run smoothly during the year.

We would also like to thank Bendigo Bank regional support team, who have again provided exceptional support and assistance during the year both to the banking team and to the Board.

The Board is still endeavoring to grow the banking business which will help us to gain returns for both shareholders and the community.

We encourage all shareholders to keep faith in their **Community Bank®** Branch and to assist us as we try and build the Wantirna **Community Bank®** Branch brand. We ask you to bring your banking business to the branch if you haven't already done so and refer your contacts to the branch when the opportunity arises. In this way we will all be striving for the best outcome for the branch, the shareholders and the community. We request that you follow us on Facebook and share our site with your friends to spread the news of our **Community Bank®**.

Peter Sheehy
Chairman

Manager's report

For year ended 30 June 2018

I would like to take this opportunity to introduce myself as the new Branch Manager for the Wantirna **Community Bank®** Branch. I offer over 20 years of experience in management with other financial institutions, so I have extensive knowledge in managing banking services as well as strong customer relationship management.

The **Community Bank®** network plays such a pivotal role to the Bendigo Bank, including all our stakeholders and most importantly our local communities. We work diligently with everyone to make our local **Community Bank®** branch viable and sustainable as we remain in touch and connected to our customers and communities.

Our **Community Bank®** branch profit margins continue to be pressured by multiple factors, primarily due to the difficult economic climate which has been experienced by all business sectors and local communities. Notwithstanding the regulators applying stricter policies that we must adhere too, which can and will impact on our ability to rapidly grow our business.

In order to achieve continuous business growth, it is very important for our customers and shareholders to do as much of their banking with our **Community Bank®** branch as possible. This will ensure that our activity levels remain high and we will foster the growth of our banking business. I would also encourage all stakeholders to tell your family and friends about our branch and what we do not only for your banking, but also for our community as a whole.

Thank you to the Board of Directors who continue to work diligently on a volunteer basis to make sure that the business remains strong and that it can continue to provide increased benefits to our local communities.

I would also like to acknowledge and thank our business partners, the Bendigo Bank Regional team led by Neville Wiles; Regional Manager and Craig Thomas; Regional Community Manager. We thank them for their support throughout the year which has been an important factor in the improving financial performance of the branch and for their assistance to us with our customer servicing objectives.

We remain committed to staying connected to our customers, shareholders and all stakeholders. Understanding that this underpins our vision and ultimately staying connected formulates our point of difference which then enables us to keep our customer engagement at high levels to create quality customer outcomes on a daily basis.

On behalf of the team, we would like to thank everyone in our community for your continued support and I look forward to leading the Branch on this continued journey.

Finally, I encourage all to back the Wantirna branch that shares a commitment to your Community

John Tiganis
Branch Manager

Directors' report

For year ended 30 June 2018

Directors

The following persons were Directors of Wantirna Community Financial Services Limited during or since the end of the financial year up to the date of this report:

Peter Gerard Sheehy
Chairman
Retired
Peter is a qualified Chartered Accountant and holds a Bachelors of Commerce degree from Melbourne University and Graduate Diploma in Taxation from Monash University. Peter worked in the chartered accounting industry for 7 years gaining experience in auditing, taxation and management accounting roles. Peter has had over 35 years' experience in the retail industry specialising in financial accounting, management accounting and specialist taxation roles. Peter has lived in Wantirna for 26 years. Peter is an active member in his community having been heavily involved in administrative roles in Saints Basketball Club Boronia for 17 years. Peter is now a Life Member of Saints Basketball Club.
Chair Finance & Audit Committee
Chair HR Committee
Interest in shares: 2 Shares

Vivian Peter Gonsalves
Director
Supply Chain Manager
Vivian was born in Madras, India where he spent his educational and early employment years. After obtaining his BA Economics degree from Loyola College, Madras, his keen interest in economic and international trade issues resulted in him working for export oriented units within the leather, pharmaceutical and readymade apparel industries. Migrating to Australia in 1991, he settled in Sydney and was employed at specialty chemical trading firm Bronson & Jacobs (now an Orica division) and Quality Ingredients, a niche food flavouring manufacturer. Since moving to Wantirna in 2004 for family reasons, Vivian has expanded his managerial experience at the Australian Red Cross Blood Service and Tata Global Beverages / Tetley Australia where he held the Supply Chain Manager roles. Vivian is deeply interested in local issues and is an active member of the St Luke Catholic Church where he has been a member of the fundraising and stewardship committee.
Chair Community Engagement Committee
Member of Finance & Audit Committee
Interest in shares: Nil

Daniel Jayaseelan Thambiratnam
Director & Treasurer
Finance and Taxation Accountant
Daniel holds a Bachelor of Science degree from Sri Lanka. He is a qualified Chartered Accountant (Ceylon), a Certified Practising Accountant (Australia), a fellow Member of Chartered Institute of Management Accountants (United Kingdom) and a Chartered Global Management Accountant (United Kingdom). He worked as an Audit Supervisor with Coopers and Lybrand International Lusaka Branch Zambia, following as a Finance Manager with Philips Electrical Zambia. He moved to Australia in 1987 and continued his career with Philips Electronics Australia Ltd in the Mobile communications Division. Daniel is currently working for a family owned company in the Textile Industry. He is actively involved with the Uniting Church Scoresby Parish and Honorary Auditor for the Parish Accounts for the last fifteen years. He is an Examination Marker for the CPA examination in Corporate Governance and Accounting for twelve years.
Member of Finance & Audit Committee and Community Engagement Committee
Interest in shares: Nil

Directors’ report *(continued)*

Directors (continued)

Sivanandan Sivagnanam
Director
Retired
Siva and his family have been living in Wantirna for nearly 31 years and he has been involved in community services for the last 20 years. He has a Bachelor’s degree in Mathematics from Sri Lanka and later completed his Master’s degree in USA. His career was partly in the educational sector as a lecturer and partly in industrial sector involved with Quality Control and statistics. He has worked in Sri Lanka, West Africa, USA, Australia and China. Siva is the President of the Lions Club of Wantirna and past president of other cultural organisations in the Tamil and Indian sectors. Siva is also involved with activities at the Temple in The Basin, and has been an active member with Knox Advisory Committees, Knox Council. He is keen to participate actively with local communities.
Member of Community Engagement Committee
Interest in shares: Nil

Lenette Fay Griffin
Director & Secretary
Retired
Lenette and her family have lived in Knox for thirty years. She is an experienced residential property investor and now teaches and mentors other people to set up and grow a property portfolio for their own financial independence. She retired two years ago after almost twenty years at Monash University where she was responsible for financial management and government regulatory compliance and reporting. She is an accomplished public speaker and has spent considerable time teaching during her Monash years. She has been an active participant in several local organisations including Knox Ratepayers Association, social, political and women’s groups, and is looking forward to further utilizing her expertise and experience in community engagement. Community and public has always held a special place for her and she believes her position with Wantirna Community Bank® branch will enable her to continue giving back to the local community.
Member of Community Engagement Committee
Interest in shares: Nil

Krishnapillai Srikanthan
Director
CEO
Kris has been living in Wantirna South for nearly 30 years. He is a Certified Practising Accountant (Australia) and an Associate Member of the Chartered Institute of Management Accountants in the UK. Kris began his accountancy studies in London and started his career there with BOC International. After spending a total 8 years in London, he and his wife moved to Africa for two years, working for the same group of companies in Zambia. Kris Migrated to Australia in 1984 and has made Melbourne his home. Kris currently is the CEO at Confoil and has worked for the company for almost 30 years. He has held many Board positions including Packaging Council of Australia. This is his first role from a community perspective and he looks forward to serving the Wantirna Community Bank® branch.
Member of HR Committee
Interest in shares: Nil

Directors’ report *(continued)*

Directors (continued)

Phillipa Jane Maloney-Walsh
Director
Life Coach
Phillipa has been an active member of many community groups since her teens. After having her own workplace accident, she founded and is the chair of a registered Australian charity, the Orange Sock Foundation Inc., who support those injured at work or in transport accidents. Phillipa is a life member of the Phoenix Theatre Company Inc and has served as President, Secretary and Treasurer of numerous community groups over the past 35 years, from kindergartens to CFA Auxiliaries. She was a secondary school teacher and has a Masters in Education, (Workplace Education) and worked in adult education for over 20 years. Phillipa has owned and ran Registered Training Organisations and worked as the National Training Manager for a large franchise group. Her last employer was WorkSafe Victoria where she was a senior Auditor of OHS training. She also has a Diploma of Business (Quality Auditing) and other vocational qualifications. Because of her own injury, Phillipa had to rethink her life and now works as a Success and Life Coach and uses her own experiences to assist clients to be the best version of themselves they can be, to achieve long term and short-term goals. She recently has bought in to the company who trained her as a life coach and looks forward to building the Victorian arm of the business. Phillipa recently downsized and moved from Wantirna to be closer to her 5 children and granddaughter. She still is passionate about the Wantirna community and her charity is registered as based in Wantirna.
Member of Community Engagement Committee and HR Committee
Interest in shares: Nil

Rodger Stephens
Director (appointed 31 January 2018)
Semi-Retired
Rodger has worked for 42 years in the Banking sector. This included 23 years with Westpac Banking Corporation Limited. The roles covered various positions in branch banking up to operational management level. This was followed by 19 years with Defence Bank Limited - who provide banking services to the military sector. The positions were all Head Office based and initial roles included home loans and personal lending. Then followed roles that included administration, marketing and sponsorship. For 11 years Rodger was the Bank’s Internal Auditor. This role reported to the Board Audit Committee for which he was committee secretary for 6 years. Auditing responsibility encompassed risk-based audits of head office functions and branch operations across Australia. Following the Company’s Board determining additional resourcing was required the Internal Audit function was outsourced to a major accounting firm. This saw Rodger transfer to his final position in a senior compliance role. Rodger decided he was not ready to retire completely and now has a part time retail role working for ALH Group Limited - a part owned subsidiary of Woolworths Limited. Rodger’s community activities have included 6 years as a school councillor. He has also been involved with Auskick for children that included time as a junior football team coach. Rodger has a special interest in melanoma research and has participated in fundraising activities for both the Peter MacCallum Cancer Foundation and the Melanoma Institute of Australia.
Member of Finance & Audit Committee and HR Committee
Interest in shares: Nil

Paul Bravender-Coyle
Director (resigned 7 September 2017)
Barrister
Paul is an Australian legal practitioner. He has acted for and advised the Commonwealth Bank of Australia, the Australia and New Zealand Banking Group Ltd, the Bank of Cyprus Australia Ltd, the Delphi Bank Limited (which is now part of the Bendigo and Adelaide Bank Ltd), Esanda Finance Ltd, the Australian Guarantee Corporation Ltd, Macquarie Leasing Ltd, BMW Finance Australia Ltd, and advised the liquidator of the Pyramid Building Society Ltd.
Paul’s outside interests are legal issues.
Interest in shares: Nil

Directors' report *(continued)*

Company Secretary

The company secretary is Lenette Fay Griffin. She is an experienced residential property investor and now teaches and mentors other people to set up and grow a property portfolio for their own financial independence. She retired three years ago after almost twenty years at Monash University where she was responsible for financial management and government regulatory compliance and reporting. She is an accomplished public speaker and has spent considerable time teaching during her Monash years.

Principal activities

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

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

Operating Results

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

Year ended 30 June 2018 $	Year ended 30 June 2017 $
16,969	23,999

Dividends

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

Significant changes in the state of affairs

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

Events Since the End of the Financial Year

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

Likely developments

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

Environmental regulations

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 21 to the financial statements. This statement excludes a benefit included in the aggregated 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.

Directors’ report *(continued)*

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:

Director	Board Meetings Attended	
	Eligible	Attended
Peter Gerard Sheehy	11	10
Vivian Peter Gonsalves	11	10
Daniel Jayaseelan Thambiratnam	11	9
Sivanandan Sivagnanam	11	8
Lenette Fay Griffin	11	11
Krishnapillai Srikanthan	11	8
Phillipa Jane Maloney-Walsh	11	6
Rodger Stephens (appointed 31 January 2018)	6	6
Paul Bravender-Coyle (resigned 7 September 2017)	2	1

The number of Committee meetings attended by each of the Directors of the company during the year were:

Director	Committee Meetings Attended					
	Audit & Finance		Community Engagement		Human Resources	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Peter Gerard Sheehy	11	10	-	-	8	8
Vivian Peter Gonsalves	11	9	6	6	1	1
Daniel Jayaseelan Thambiratnam	11	7	6	3	-	-
Sivanandan Sivagnanam	-	-	6	5	-	-
Lenette Fay Griffin	-	-	6	6	1	1
Krishnapillai Srikanthan	-	-	-	-	8	8
Phillipa Jane Maloney-Walsh	-	-	6	1	5	1
Rodger Stephens (appointed 31 January 2018)	5	4	-	-	5	5
Paul Bravender-Coyle (resigned 7 September 2017)	-	-	-	-	1	1

Directors' report *(continued)*

Proceedings on behalf of company

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

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

Non Audit Services

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

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

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

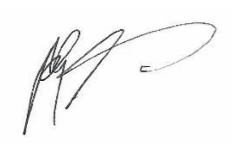
• all non-audit services have been reviewed by the audit and finance committee to ensure they do not impact on the impartiality and objectivity of the Auditor;

• none of the services undermine the general principles relating to Auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the Auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditor 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 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Wantirna, Victoria on 6th September 2018.



Peter Gerard Sheehy
Chairman

Auditor's Independence Declaration

Partners in success

Chartered Accountants

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

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Wantirna Community Financial Services Limited

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 6 September 2018

David Hutchings
Lead Auditor

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Taxation | Audit | Business Services

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Financial statements

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

	Notes	2018 $	2017 $
Revenues from ordinary activities	4	581,726	563,022
Employee benefits expense		(336,395)	(321,305)
Charitable donations, sponsorship, advertising and promotion		(24,091)	(19,673)
Occupancy and associated costs		(65,569)	(64,966)
Systems costs		(19,177)	(17,199)
Depreciation and amortisation expense	5	(27,807)	(27,429)
General administration expenses		(76,632)	(76,806)
Profit before income tax		**32,055**	**35,644**
Income tax expense	6	(15,086)	(11,645)
Profit after income tax		16,969	23,999
Total comprehensive income for the year		**16,969**	**23,999**

Earnings per share		¢	¢
Basic earnings per share	22	1.84	2.60

The accompanying notes form part of these financial statements

Balance sheet
as at 30 June 2018

	Notes	2018 $	2017 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	285,206	246,569
Trade and other receivables	8	60,371	59,035
Total Current Assets		**345,577**	**305,604**
Non-Current Assets			
Property, plant and equipment	9	145,824	156,135
Intangible assets	10	54,473	71,969
Deferred tax assets	11	101,595	116,680
Total Non-Current Assets		**301,892**	**344,784**
Total Assets		**647,469**	**650,388**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	42,781	47,094
Provisions	13	14,091	14,841
Total Current Liabilities		**56,872**	**61,935**
Non-Current Liabilities			
Trade and other payables	12	33,976	49,657
Provisions	13	5,034	4,178
Total Non-Current Liabilities		**39,010**	**53,835**
Total Liabilities		**95,882**	**115,770**
Net Assets		**551,587**	**534,618**
Equity			
Issued capital	14	891,225	891,225
Accumulated losses	15	(339,638)	(356,607)
Total Equity		**551,587**	**534,618**

The accompanying notes form part of these financial statements

Financial statements *(continued)*

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

	Issued Capital $	Accumulated Losses $	Total Equity $
Balance at 1 July 2016	**891,225**	**(380,606)**	**510,619**
Total comprehensive income for the year	-	23,999	23,999
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	**891,225**	**(356,607)**	**534,618**
Balance at 1 July 2017	**891,225**	**(356,607)**	**534,618**
Total comprehensive income for the year	-	16,969	16,969
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 2018	**891,225**	**(339,638)**	**551,587**

The accompanying notes form part of these financial statements

Financial statements *(continued)*

Statement of Cash Flows
for the year ended 30 June 2018

	Notes	2018 $	2017 $
Cash Flows from Operating Activities			
Receipts from customers		634,936	598,232
Payments to suppliers and employees		(586,504)	(535,986)
Interest received		4,461	3,909
Net cash flows from operating activities	**16**	**52,893**	**66,155**
Cash Flows from Investing Activities			
Payments for property, plant and equipment		-	(877)
Payments for intangible assets		(14,256)	(11,192)
Net cash used in investing activities		**(14,256)**	**(12,069)**
Net increase in cash held		**38,637**	**54,086**
Cash and cash equivalents at the beginning of the financial year		246,569	192,483
Cash and cash equivalents at the end of the financial year	**7(a)**	**285,206**	**246,569**

The accompanying notes form part of these financial statements

Notes to the financial statements
for the year ended 30 June 2018

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended Accounting Standards

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

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

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

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

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

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 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating lease of its branch. As at 30 June 2018, the company’s future minimum lease payment under non-cancellable operating leases amount to $147,338, on an undiscounted basis (see Note 17).

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 Wantirna, Victoria.

Note 1. Summary of Significant Accounting Policies *(continued)*

a) Basis of Preparation *(continued)*

<u>Economic dependency - Bendigo and Adelaide Bank Limited *(continued)*</u>

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; and
- 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 benefit 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).

<u>Revenue calculation</u>

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.

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

b) Revenue *(continued)*

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.

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.

Note 1. Summary of Significant Accounting Policies *(continued)*

b) Revenue *(continued)*

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.

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.

Note 1. Summary of Significant Accounting Policies *(continued)*

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, as determined by the Australian Taxation Office, using the straight line method. The estimated useful lives, residual values and depreciation method is 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.

Notes to the financial statements
for the year ended 30 June 2018

Note 1. Summary of Significant Accounting Policies *(continued)*

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

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

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of 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.

Note 1. Summary of Significant Accounting Policies *(continued)*

n) Issued Capital

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

o) Earnings Per Share

Basic earnings per share are 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.

(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.

Note 2. Financial Risk Management *(continued)*

(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 monitors the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the balance sheet.

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

The distribution limit is the greater of:

(a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

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.

<u>Taxation</u>

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, hence there is 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 comprehensive income.

Note 3. Critical Accounting Estimates and Judgements *(continued)*

Estimation of useful lives of assets

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

Goodwill

Goodwill in these financial statements represents an amount paid to a tenant in the shopping centre in which the bank operates in order for that tenant to vacate the premises before its lease expired less accumulated amortisation. The payment was made to enable the bank to operate from these premises prior to the date that the previous tenant was required to vacate the site, when its lease expired.

The calculations require the use of assumptions.

Impairment of assets

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

Note 4. Revenue from Ordinary Activities	**2018** **$**	**2017** **$**
Operating activities:		
- services commissions	542,111	524,089
- market development fund	35,000	35,000
Total revenue from operating activities	577,111	559,089
Non-operating activities:		
- interest received	4,615	3,933
Total revenue from non-operating activities	4,615	3,933
Total revenues from ordinary activities	581,726	563,022

Notes to the financial statements for the year ended 30 June 2018

Note 5. Expenses	2018 $	2017 $
Depreciation of non-current assets:		
- plant and equipment	4,787	4,906
- leasehold improvements	5,524	5,708
Amortisation of non-current assets:		
- franchise agreement	2,244	2,255
- franchise renewal fee	11,196	11,256
- goodwill amortisation	4,056	3,304
	27,807	27,429
Bad debts	114	381

Note 6. Income Tax Expense

The components of tax expense comprise:		
- Current tax	9,109	14,298
- Movement in deferred tax	1,474	(2,653)
- Prior period unaccounted adjustment to deferred tax to reflect change to tax rate in future periods	4,503	-
	15,086	11,645
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expenseas follows:		
Operating Profit	32,055	35,644
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	8,815	9,802
Add tax effect of:		
- non-deductible expenses	1,768	1,843
- timing difference expenses	(1,474)	2,653
	9,109	14,298
Prior period unaccounted adjustment to deferred tax to reflect change to tax rate in future periods	4,503	-
Movement in deferred tax **Note 11**	1,474	(2,653)
	15,086	11,645

Note 7. Cash and Cash Equivalents

Cash at bank and on hand	75,106	40,927
Term deposits	210,100	205,642
	285,206	246,569

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Note 7.(a) Reconciliation of cash

Cash at bank and on hand	75,106	40,927
Term deposits	210,100	205,642
	285,206	246,569

Note 8. Trade and Other Receivables

Trade receivables	46,067	46,181
Other receivables and accruals	1,252	1,098
Prepayments	13,052	11,756
	60,371	59,035

Notes to the financial statements for the year ended 30 June 2018

	2018 $	2017 $
Note 9. Property, Plant and Equipment		
Plant and equipment		
At cost	104,129	104,129
Less: accumulated depreciation	(74,140)	(69,353)
	29,989	34,776
Leasehold improvements		
At cost	208,661	208,661
Less: accumulated depreciation	(92,826)	(87,302)
	115,835	121,359
Total written down amount	145,824	156,135
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	34,776	38,805
Additions	-	877
Disposals	-	-
Less: depreciation expense	(4,787)	(4,906)
Carrying amount at end	29,989	34,776
Leasehold improvements		
Carrying amount at beginning	121,359	127,067
Additions	-	-
Disposals	-	-
Less: depreciation expense	(5,524)	(5,708)
Carrying amount at end	115,835	121,359
Total written down amount	145,824	156,135

Note 10. Intangible Assets

	2018 $	2017 $
Franchise fee		
At cost	32,746	32,746
Less: accumulated amortisation	(25,668)	(23,424)
	7,078	9,322
Renewal processing fee		
At cost	113,729	113,729
Less: accumulated amortisation	(78,294)	(67,098)
	35,435	46,631
Goodwill		
At cost	23,000	23,000
Less: accumulated amortisation	(11,040)	(6,984)
	11,960	16,016
Total written down amount	54,473	71,969

Notes to the financial statements
for the year ended 30 June 2018

Note 11. Tax

	2018	2017
	$	$
Deferred tax assets		
- accruals	2,974	4,435
- employee provisions	5,259	5,230
- tax losses carried forward	93,706	102,815
- adjustment to deferred tax to reflect change to tax rate in future periods	-	4,502
	101,939	116,982
Deferred tax liability		
- accruals	344	302
Net deferred tax asset	101,595	116,680
Movement in deferred tax charged to statement of comprehensive income	1,474	(2,653)

Note 12. Trade and Other Payables

Current:

Trade creditors	4,019	-
Other creditors and accruals	23,081	31,413
Liability to Bendigo (Franchise Fees)	15,681	15,681
	42,781	47,094

Non-Current:

Liability to Bendigo (Franchise Fees)	33,976	49,657
	33,976	49,657

Note 13. Provisions

Current:

Provision for annual leave	14,091	14,841
	14,091	14,841

Non-Current:

Provision for long service leave	5,034	4,178

Note 14. Issued Capital

921,509 Ordinary shares fully paid (2017: 921,509)	921,509	921,509
Less: equity raising expenses	(30,284)	(30,284)
	891,225	891,225

Note 14. Issued Capital *(continued)*

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®** 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.

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 294. As at the date of this report, the company had 307 shareholders.

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

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

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

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

Notes to the financial statements for the year ended 30 June 2018

Note 15. Accumulated Losses

	2018 $	2017 $
Balance at the beginning of the financial year	(356,607)	(380,606)
Net profit from ordinary activities after income tax	16,969	23,999
Balance at the end of the financial year	(339,638)	(356,607)

Note 16. Statement of Cash flows

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

	2018 $	2017 $
Profit from ordinary activities after income tax	16,969	23,999
Non cash items:		
- depreciation	10,311	10,614
- amortisation	17,496	16,815
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(1,336)	(19,146)
- (increase)/decrease in other assets	15,085	11,645
- increase/(decrease) in payables	(5,738)	16,878
- increase/(decrease) in provisions	106	5,350
Net cash flows from operating activities	52,893	66,155

Note 17. Leases

Operating lease commitments

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

Payable - minimum lease payments

	2018 $	2017 $
- not later than 12 months	42,944	41,492
- between 12 months and 5 years	104,393	147,338
- greater than 5 years	-	-
	147,338	188,830

The rental lease agreement on the branch premises is a non-cancellable lease with a five year term, with rent payable monthly in advance. The current lease expires on 18 September 2021, with an option for one further term of five years available to be exercised.

Note 18. Auditor's Remuneration

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

	2018 $	2017 $
- audit and review services	4,400	5,300
- share registry services	1,885	1,885
- other non audit services	335	-
	6,620	7,185

Note 19. Director and Related Party Disclosures

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

Peter Gerard Sheehy
Vivian Peter Gonsalves
Daniel Jayaseelan Thambiratnam
Sivanandan Sivagnanam
Lenette Fay Griffin
Krishnapillai Srikanthan
Phillipa Jane Maloney-Walsh
Rodger Stephens (appointed 31 January 2018)
Paul Bravender-Coyle (resigned 7 September 2017)

No other 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.

Directors Shareholdings (number of shares held)	2018	2017
Peter Gerard Sheehy	2	2
Vivian Peter Gonsalves	-	-
Daniel Jayaseelan Thambiratnam	-	-
Sivanandan Sivagnanam	-	-
Lenette Fay Griffin	-	-
Krishnapillai Srikanthan	-	-
Phillipa Jane Maloney-Walsh	-	-
Rodger Stephens (appointed 31 January 2018)	-	-
Paul Bravender-Coyle (resigned 7 September 2017)	-	-

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.

Note 21. Remuneration Report

(a) Remuneration of Directors

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

Wantirna Community Financial Services Limited has accepted the **Community Bank®** Directors' Privileges package. The package is available to all directors who can elect to avail themselves of the benefits based on their personal banking with the Wantirna Community Financial Services Limited **Community Bank®** branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders. The Directors have estimated the total benefits received from the Directors' Privilege Package to be $44 for the year ended 2018.

For the year ended 30 June 2018, the directors received total benefits of:

	Amount ($)
Phillipa Jane Maloney-Walsh	44
	44

Note 21. Remuneration Report *(continued)*

(b) Remuneration of Area and Branch Managers

The board is responsible for the determination of remuneration packages and policies applicable to the branch manager and all the staff. The branch manager is invited to the board meetings as required to discuss performance and remuneration packages.

The board's policy in respect of the branch manager is to maintain remuneration at parity within the **Community Bank®** network and local market rates for comparable roles.

There are no executives who are directly accountable and responsible for the strategic direction and operational management of the entity. This is wholly a board role. There are therefore no specified executives.

Note 22. Earnings Per Share	**2018** **$**	**2017** **$**
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	16,969	23,999
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	921,509	921,509

Note 23. Events Occurring After the Balance Sheet Date

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

Note 24. Contingent Liabilities

There were no contingent liabilities 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 Wantirna Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 26. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office	Principal Place of Business
Shop 5 Wantirna Mall	Shop 5 Wantirna Mall
348 Mountain Highway	348 Mountain Highway
Wantirna VIC 3152	Wantirna VIC 3152

Notes to the financial statements
for the year ended 30 June 2018

Note 27. Financial Instruments

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

Financial instrument	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average effective interest rate	
	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 %	2017 %
Financial Assets												
Cash and cash equivalents	285,206	246,569	-	-	-	-	-	-	-	-	1.74	1.79
Receivables	-	-	-	-	-	-	-	-	46,067	46,181	N/A	N/A
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-	4,019	-	N/A	N/A

Directors' Declaration

In accordance with a resolution of the directors of Wantirna Community Financial Services Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

(ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Peter Gerard Sheehy
Chairman

Signed on 6th September 2018

Independent audit report

Partners in success

Chartered Accountants

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

Independent auditor's report to the members of Wantirna Community Financial Services Limited

Report on the audit of the financial statements

Our opinion
In our opinion, the financial report of Wantirna Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

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

What we have audited
Wantirna Community Financial Services 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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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: 6 September 2018

David Hutchings
Lead Auditor

Wantirna **Community Bank**® Branch
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