2018
Annual Report

Western Port Community Enterprises Limited

ABN 47 129 333 044

Hastings & District **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2018

A celebration of 10 years of Community Banking.

It is at this time each year for the past nine years that I have been concerned about the news I am about to convey to our patient Shareholders. However this year it is a little easier for me.

Each year for the past nine years, I have reported on the progress of our Company, both in the market place and within our Branch. Also at this time I have indicated that whilst our progress has been slow, we would break into profit. That has always been our firm belief.

We always knew it would be challenging with the four major banks in High Street, but the GFC together with a number of smaller issues made it even more challenging. We cannot do anything about the past but with planning, we can determine our future.

In this year I can report that we have achieved a solid profit of $85,300 before tax , and although this may be again seen as small, it indicates to us that we are finally achieving profits that can be sustained, and more importantly, increased, in the coming years.

Certainly our healthy "pipeline" of business growth at this time gives us the satisfaction of higher profits in 2018/19 and we have budgeted accordingly.

The 12 months to 30 June 2018 has been a year of consolidation. We went into the year full of promise with a new Branch Manager and concentrated on supporting her and her team to achieve the desired results. Trading conditions in the financial sector continued to be tight with all banks experiencing funding cost issues, whilst interest rates remained at record low levels.

Despite these issues we were still able to grow our business both in deposits and loans. However, we are acutely aware that we are still in a period of low growth and will continue to concentrate on growing our business in line with our budgets.

We are so pleased with the appointment last year of our Branch Manager, Rachael Ward, and although we are still not quite where we want to be with our Branch staffing, we will continue to offer our staff the support they deserve. Our wonderful staff are undoubtably our greatest asset.

Focusing on the past years profit, we believe it is now time to further reward our shareholders with an increased dividend, and whilst this dividend, to be paid in the coming months, can again be seen as being small, it is but a step to the future. This hopefully demonstrates our willingness to reward, when able, those who have been patiently supporting us in our endeavours. We certainly appreciate that support.

Whilst we have little control over our revenue, we continue to manage our costs in line with our budgets and these costs are being kept at an absolute minimum whilst we continue to experience the very necessary revenue growth, albeit not fast enough for your Directors.

We need a continuation of strong business growth to achieve healthy, sustainable future profits and if you, as Shareholders, have any need for financial or wealth products, let our team help you. If you have relatives or friends requiring such products or advice, let our team help them. This will certainly help us achieve our aims.

The equation is quite simple. The higher growth we attain, the higher profits we achieve, the higher dividends and higher community contributions we are able to provide.

We continue to support the local Community and during the year a further $45,000 was returned to the Community in the way of Sponsorships,Grants and Community involvement. Since opening our doors we have returned in excess of $440,000 to over 90 Community Groups and Organisations. As mentioned previously, this has not impacted on our bottom line as these are funds provided to us by Bendigo Bank as a reward for business growth.

Chairman's report (continued)

We continue to practice sound Corporate Governance and abide by the many ASIC requirements which places our company in a strong business position.

As mentioned above, our greatest asset is our staff and I thank them for their continuing support. Thank you.

To our Directors. Thank you for the time and effort you give to our Company as volunteers. The past 10 years have not been easy, and at most times, tough. Without your talents, experience, and valuable time spent on our Company, we would not be where we are today. On a personal basis I thank you all for your support.

And of course, we could not survive without the assistance of our partners, Bendigo and Adelaide Bank Limited. This assistance is endless and unswerving. Thank you.

Finally, to our patient Shareholders. Thank you for your continued support. I have always been confident of our success, and although it has taken a little longer than planned, knowing that you support what we are doing has meant a lot to me personally and to the Board.

In fact, thanks to all concerned.

Vic Rodwell
Chairman of the Board of Directors

Branch Manager's report

For year ending 30 June 2018

It is with great pleasure that I submit my first annual report after taking the reins as Branch Manager in April 2017 at Hastings and District **Community Bank**® Branch. It is wonderful to be back at Hastings after spending time here as a Customer Relationship Officer in June 2015.

We operate in an extremely competitive market here in Hastings with direct competition from all four major banks. However, by highlighting our key differences and our strong community relationships, we have been able to achieve positive results as a business and this then flows into our community. As a community-focused business, we seek opportunities to strengthen relationships with current customers and welcome new ones.

Reflecting on our year in this competitive environment it is pleasing to be able to report that we have grown by $11.5 million, and at June 30 2018 we are holding just over $90 million in footings. We achieved lending growth of over $5 million and deposit growth of almost $6 million. This growth has been achieved through our existing customers doing more business with us and over 650 new accounts opened at the branch. Another highlight for our branch was the quality wealth conversations happening with our customers.

It's been an exciting 12 months for Hastings and the Western Port Community with an influx of people buying homes in the area which in turn saw property prices increase dramatically. There are new property subdivisions in the area which should see more people moving to our community. It's also been exciting watching the changing streetscape in Hastings as works have been undertaken to revamp the main street.

Our aim for 2019 is to continue to focus on providing excellent customer service and to do more out in the community. The more we grow our business, the more we can contribute to your community.

Hastings **Community Bank**® Branch has a strong and well-known team, with our aim being to provide the best customer service that we can and to engage with the community at every opportunity. We're looking forward to adding another member to our team in 2018/19 with our Board creating a new Customer Relationship Manager position for Hastings **Community Bank**® Branch. This will enable us to be more present out in the community and to have more quality conversations with our customers.

I'd like to extend a thank-you to our dedicated team of Megan Stone, Jennifer Johnson, Myrna Vanderloo, Justine Burns, Chantelle Cendrillon and Omaid Solangi. Omaid was with us briefly covering Chantelle's maternity leave. He has now taken an opportunity at another **Community Bank**® branch. I'd also like to thank our Board of Directors and Bendigo and Adelaide Bank Limited for their continued support of the branch.

Finally, I'd like to thank the Hastings and Western Port Community, our customers and shareholders. Without your continued support and promotion of our brand, we would not be able to contribute as much as we do to the community. It has been an absolute pleasure to be involved in your sponsor nights, AGMs, community events, school assemblies, morning teas, brunches, family days, and various other events.

It is by you supporting the Hastings **Community Bank**® Branch that enables us to support the community. We therefore urge you to contact us at the branch. We have a strong and competitive range of products to meet all your banking needs. It is through providing a wide range of wealth solutions, lending, insurance and deposit products that income for Hastings **Community Bank**® Branch is achieved and then contributed back to the community.

The Hastings **Community Bank**® Branch team wish all our customers, community, directors and shareholders the very best for the next 12 months. Our team are looking forward to another successful year.

Rachael Ward
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2018

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

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

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

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

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

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

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

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

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

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

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

Robert Musgrove
Bendigo and Adelaide Bank

Directors' report

For the financial year ended 30 June 2018

Directors

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

Victor Charles Rodwell

Chairman

Occupation: Retired

Qualifications, experience and expertise: Holds a CPA, Small Business Owner for 40 years. Treasurer of W.C.C.I and President of W.C.C.I on two occasions.

Special responsibilities: Company Secretary, Assistant Treasurer

Interest in shares: 50,001

John Thomas Crough

Director

Occupation: Retired

Qualifications, experience and expertise: Worked in the finance industry for over 41 years, held the position of Victorian State Manager in a major bank and similar positions in Western Australia and Queensland, as well as being the Chief Executive Officer's representative for the state of Western Australia. Was a Member on a retail board of management for 10 years and a Director of various internal companies.

Special responsibilities: Treasurer

Interest in shares: Nil

Stephen Robert Dowling

Director

Occupation: Company Director

Qualifications, experience and expertise: Steve is a successful businessman with extensive experience in both retail & wholesale operations. A director of his own companies in Australia and New Zealand for many years. His background of community service includes working with both community groups and NFPs. He was President of 4WD Victoria for 4 years, was a Military Officer and a Scout leader, is a supporter of The Royal Flying Doctor Service, a former Director of the Gawler Foundation and currently involved with a start up NFP which will work on innovation programs.

Special responsibilities: Community Investment Sub Committee.

Interest in shares: 10,000

Andrew Venturini

Director

Occupation: Retail Sales

Qualifications, experience and expertise: Diploma of Business, Former Real Estate Agent, Management in Trade/Plumbing Hardware. Owner/Operator of Small Business and Operations Manager of Electrical/Air Conditioning Business.

Special responsibilities: Community Investment & Building Sub-Committees

Interest in shares: 20,000

Directors (continued)

Trevor Donald Coleman

Director

Occupation: Retired

Qualifications, experience and expertise: Previously worked in Finance and Insurance industries. Vast experience with management and sales in both industries. Prior to retirement Trevor had his own company which specialised in sales training and management.

Special responsibilities: Community Investment Sub Committee and HR

Interest in shares: Nil

Karen Maree Mann

Director

Occupation: Owner newsXpress Hastings

Qualifications, experience and expertise: Previously worked in the finance industry for 20+ years. Roles included; service, sales, home loan specialist, senior sales consultant, branch manager, assistant manager and relationship manager (business lending). Managing over $1M with a portfolio of 40 customers. Community involvement has always been important and Karen is proudly a charter member of the Rotary Club of Albury Wodonga Sunrise Inc (2012), holding executive roles, including President and Secretary since commencement, until relocation to Hastings in March 2017. Currently Managing Director of newsXpress Hastings.

Special responsibilities: HR Committee

Interest in shares: Nil

Dominic Anthony Tallon

Director (Resigned 28 February 2018)

Occupation: Real Estate Principal

Qualifications, experience and expertise: Bachelor of Business with Management major. Fully licenced estate agent. Certificate IV in Property Services.

Special responsibilities: Community Investment Sub-Committee

Interest in shares: Nil

Warren Bray Cecil

Director (Resigned 29 May 2018)

Occupation: Strategic Funding

Qualifications, experience and expertise: Warren has a widespread background in business to business sales and marketing within the events, hospitality and automotive sectors. He has an in-depth understanding of the Australian funding landscape with extensive exposure within the corporate, for-purpose and public sectors.

Other current directorships: Dolphin Research Institute and Mentis Assist

Special responsibilities: Marketing and Fundraising Sub Committee

Interest in shares: Nil

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

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

Company Secretary

The company secretary is Victor Rodwell. Victor was appointed company secretary on 30 November 2011. Victor Rodwell's qualifications and experience include being a Certified Practicing Accountant. Victor has extensive experience in running a variety of businesses.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2018 $	Year ended 30 June 2017 $
61,282	52,408

Dividends

	Year ended 30 June 2018	
	Cents	$
Dividends paid in the year:		
- Dividends paid in the year	2	15,635

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Directors' Meetings	
	Eligible	**Attended**
Victor Charles Rodwell	10	8
John Thomas Crough [1]	4	3
Stephen Robert Dowling	10	8
Trevor Donald Coleman	10	9
Karen Maree Mann	10	8
Andrew Venturini	10	8
Dominic Anthony Tallon (Resigned 28 February 2018)	7	5
Warren Bray Cecil [2] (Resigned 29 May 2018)	4	2

1 - Leave of absence from May 2017 to November 2017
2 - Leave of absence (Illness)

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

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

Auditor's independence declaration

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

Signed in accordance with a resolution of the board of directors at Hastings, Victoria on 5 September 2018.

Victor Charles Rodwell,
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 Western Port Community Enterprise Limited

As lead auditor for the audit of Western Port Community Enterprise 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: 5 September 2018

David Hutchings
Lead Auditor

Taxation | Audit | Business Services

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

Financial statements

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

	Notes	2018 $	2017 $
Revenue from ordinary activities	4	667,137	608,663
Employee benefits expense		(343,163)	(296,652)
Charitable donations, sponsorship, advertising and promotion		(33,140)	(25,533)
Occupancy and associated costs		(71,507)	(72,235)
Systems costs		(19,392)	(19,368)
Depreciation and amortisation expense	5	(28,231)	(28,318)
Finance costs	5	(2,034)	(5,630)
General administration expenses		(84,370)	(88,696)
Profit before income tax expense		**85,300**	**72,231**
Income tax expense	6	(24,018)	(19,823)
Profit after income tax expense		**61,282**	**52,408**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**61,282**	**52,408**

Earnings per share		**¢**	**¢**
Basic earnings per share	22	7.84	6.70

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2018

	Notes	2018 $	2017 $
ASSETS			
Current assets			
Trade and other receivables	7	41,904	54,295
Total current assets		**41,904**	**54,295**
Non-current assets			
Property, plant and equipment	8	97,017	110,527
Intangible assets	9	66,111	13,844
Deferred tax asset	10	155,457	179,475
Total non-current assets		**318,585**	**303,846**
Total assets		**360,489**	**358,141**
LIABILITIES			
Current liabilities			
Trade and other payables	11	35,316	52,568
Provisions	13	25,570	9,563
Total current liabilities		**60,886**	**62,131**
Non-current liabilities			
Trade and other payables	11	43,633	-
Borrowings	12	5,299	84,223
Provisions	13	3,834	10,597
Total non-current liabilities		**52,766**	**94,820**
Total liabilities		**113,652**	**156,951**
Net assets		**246,837**	**201,190**
EQUITY			
Issued capital	14	769,898	769,898
Accumulated losses	15	(523,061)	(568,708)
Total equity		**246,837**	**201,190**

The accompanying notes form part of these financial statements.

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

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2016		**769,898**	**(621,116)**	**148,782**
Total comprehensive income for the year		-	52,408	52,408
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	20	-	-	-
Balance at 30 June 2017		**769,898**	**(568,708)**	**201,190**
Balance at 1 July 2017		**769,898**	**(568,708)**	**201,190**
Total comprehensive income for the year		-	61,282	61,282
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	20	-	(15,635)	(15,635)
Balance at 30 June 2018		**769,898**	**(523,061)**	**246,837**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		741,950	673,436
Payments to suppliers and employees		(630,636)	(568,678)
Interest paid		(2,034)	(5,630)
Net cash provided by operating activities	**16**	**109,280**	**99,128**
Cash flows from investing activities			
Payments for property, plant and equipment		(877)	(1,746)
Payments for intangible assets		(13,844)	-
Net cash used in investing activities		**(14,721)**	**(1,746)**
Cash flows from financing activities			
Dividends paid	20	(15,635)	-
Net cash used in financing activities		**(15,635)**	**-**
Net increase in cash held		**78,924**	**97,382**
Cash and cash equivalents at the beginning of the financial year		(84,223)	(181,605)
Cash and cash equivalents at the end of the financial year	**12(a)**	**(5,299)**	**(84,223)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2018

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

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

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

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

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

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

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

a) Basis of preparation *(continued)*

Application of new and amended accounting standards (continued)

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating lease of its branch. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to $242,511, on an undiscounted basis (see Note 17).

No significant impact is expected for the company's finance leases.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Hastings, Victoria.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** branch franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

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

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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.

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

b) Revenue *(continued)*

Discretionary financial contributions

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

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

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

Ability to change financial return

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

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

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

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

c) Income tax *(continued)*

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

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

g) Property, plant and equipment

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

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

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

- leasehold improvements	5 - 15	years
- computer equipment	4	years
- plant and equipment	2.5 - 40	years
- furniture and fittings	4 - 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. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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*
Financial liabilities include borrowings, trade and other payables and non-derivative financial liabilities (excluding financial guarantees). They are subsequently measured at amortised cost using the effective interest rate method.

Impairment

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

l) Leases

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

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

m) Provisions

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

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

n) Issued capital

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

o) Earnings per share

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

Note 2. Summary of significant accounting policies *(continued)*

p) Goods and Services Tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables 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 monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

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

The distribution limit is the greater of:

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

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Taxation (continued)

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 entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Note 4. Revenue from ordinary activities

	2018	2017
	$	$
Operating activities:		
- gross margin	537,362	467,353
- services commissions	38,417	48,047
- fee income	52,063	53,898
- market development fund	35,000	35,000
- ATM interchange income	4,295	4,365
Total revenue from operating activities	667,137	608,663
Total revenues from ordinary activities	667,137	608,663

Note 5. Expenses	2018	2017
	$	$
Depreciation of non-current assets:		
- plant and equipment	837	746
- leasehold improvements	13,550	13,728
Amortisation of non-current assets:		
- franchise agreement	2,307	2,307
- franchise renewal fee	11,537	11,537
	28,231	28,318
Finance costs:		
- interest paid	2,034	5,630
Bad debts	1,588	1,407

Note 6. Income tax expense		
The components of tax expense comprise:		
- Recoupment of prior year tax losses	26,125	18,342
- Movement in deferred tax	(2,420)	1,481
- Under/over provision in respect to prior years	313	-
	24,018	19,823
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	85,300	72,231
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	23,458	19,550
Add tax effect of:		
- non-deductible expenses	247	273
- timing difference expenses	2,420	(1,481)
	26,125	18,342
Movement in deferred tax	(2,420)	1,481
Under/over provision in respect to prior years	313	-
	24,018	19,823

Note 7. Trade and other receivables		
Trade receivables	36,059	46,545
Prepayments	5,845	7,750
	41,904	54,295

Note 8. Property, plant and equipment	2018	2017
	$	$
Leasehold improvements		
At cost	313,361	313,361
Less accumulated depreciation	(218,058)	(204,508)
	95,303	108,853
Plant and equipment		
At cost	1,877	1,000
Less accumulated depreciation	(950)	(756)
	927	244
Computer equipment		
At cost	3,306	3,306
Less accumulated depreciation	(2,717)	(2,127)
	589	1,179
Furniture and fittings		
At cost	2,143	2,143
Less accumulated depreciation	(1,945)	(1,892)
	198	251
Total written down amount	97,017	110,527
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	108,853	122,581
Additions	-	-
Disposals	-	-
Less: depreciation expense	(13,550)	(13,728)
Carrying amount at end	95,303	108,853
Plant and equipment, furniture and fittings, computer equipment		
Carrying amount at beginning	1,674	674
Additions	877	1,746
Disposals	-	-
Less: depreciation expense	(837)	(746)
Carrying amount at end	1,714	1,674
Total written down amount	97,017	110,527

Note 9. Intangible assets

	2018	2017
	$	$
Franchise fee		
At cost	32,555	21,537
Less: accumulated amortisation	(21,537)	(19,230)
	11,018	2,307
Renewal processing fee		
At cost	112,777	57,684
Less: accumulated amortisation	(57,684)	(46,147)
	55,093	11,537
Total written down amount	66,111	13,844

Note 10. Tax

Deferred tax assets		
- accruals	621	742
- employee provisions	8,086	5,544
- tax losses carried forward	146,750	173,189
	155,457	179,475
Net deferred tax asset	155,457	179,475
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	24,018	7,533

Note 11. Trade and other payables

Current:

Trade creditors	3,994	15,448
Other creditors and accruals	31,322	37,120
	35,316	52,568

Non-current:

Other creditors and accruals	43,633	-

Note 12. Borrowings

Bank overdrafts	Note 12(a)	5,299	84,223

The bank overdraft has an approved limit of $150,000. Interest on the bank overdraft is calculated using a variable rate. The bank overdraft is secured by a Registered First Company Debenture Mortgage from Western Port Community Enterprises Limited. Current interest rate is 4.03%

Note 12.(a) Reconciliation to cash flow statement		2018	2017
		$	$
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:			
Bank overdraft	Note 12	(5,299)	(84,223)

Note 13. Provisions		
Current:		
Provision for annual leave	12,399	9,563
Provision for long service leave	13,171	-
	25,570	9,563
Non-current:		
Provision for long service leave	3,834	10,597

Note 14. Issued capital		
781,762 ordinary shares fully paid (2017: 781,762)	781,762	781,762
Less: equity raising expenses	(11,864)	(11,864)
	769,898	769,898

Rights attached to shares

(a) *Voting rights*

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

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

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

(b) *Dividends*

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

Note 14. Issued capital *(continued)*

Rights attached to shares *(continued)*

(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 190. As at the date of this report, the company had 210 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.

Note 15. Accumulated losses

	2018	2017
	$	$
Balance at the beginning of the financial year	(568,708)	(621,116)
Net profit from ordinary activities after income tax	61,282	52,408
Dividends provided for or paid	(15,635)	-
Balance at the end of the financial year	(523,061)	(568,708)

Note 16. Statement of cash flows	2018	2017
	$	$
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	61,282	52,408
Non cash items:		
- depreciation	14,387	14,474
- amortisation	13,844	13,844
Changes in assets and liabilities:		
- (increase)/decrease in receivables	12,391	(7,614)
- decrease in other assets	24,018	19,823
- increase/(decrease) in payables	(25,886)	10,807
- increase/(decrease) in provisions	9,244	(4,614)
Net cash flows provided by operating activities	109,280	99,128

Note 17. Leases

Operating lease commitments
Non-cancellable operating leases contracted for but not capitalised in the financial statements
Payable - minimum lease payments:

- not later than 12 months	48,502	48,502
- between 12 months and 5 years	194,009	-
- greater than 5 years	-	-
	242,511	48,502

The operating lease is a non-cancellable lease with a five-year term which finishes at the end of June 2023. There are no options remaining. Rent is payable monthly in advance.

Note 18. Auditor's remuneration

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

- audit and review services	4,400	4,200
- share registry services	1,885	1,885
- non audit services	2,310	1,805
	8,595	7,890

Note 19. Director and related party disclosures

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

Victor Charles Rodwell
John Thomas Crough
Stephen Robert Dowling
Trevor Donald Coleman
Karen Maree Mann
Andrew Venturini
Dominic Anthony Tallon *(Resigned 28 February 2018)*
Warren Bray Cecil *(Resigned 29 May 2018)*

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

Directors Shareholdings	2018	2017
Victor Charles Rodwell	50,001	50,001
John Thomas Crough	-	-
Stephen Robert Dowling	10,000	10,000
Trevor Donald Coleman	-	-
Karen Maree Mann	-	-
Andrew Venturini	20,000	20,000
Dominic Anthony Tallon *(Resigned 28 February 2018)*	-	-
Warren Bray Cecil *(Resigned 29 May 2018)*	-	-

There was no movement in directors shareholdings during the year.

Note 20. Dividends provided for or paid

	2018	2017
	$	$
a. Dividends paid during the year		
Current year dividend		
Unfranked franked dividend - 2 cents (2017: nil) per share	15,635	-

Note 21. Key management personnel disclosures

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

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

Note 22. Earnings per share

	2018	2017
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	61,282	52,408
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	781,762	781,762

Note 23. Events occurring after the reporting date

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

Note 24. Contingent liabilities and contingent assets

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

Note 25. Segment reporting

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

Note 26. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
2 High Street	96 High Street
Hastings VIC 3915	Hastings VIC 3915

Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average	
	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 %	2017 %
Financial assets												
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	Nil	Nil
Receivables	-	-	-	-	-	-	-	-	36,059	46,545	N/A	N/A
Financial liabilities												
Interest bearing liabilities	5,299	84,223	-	-	-	-	-	-	-	-	4.51	4.50
Payables	-	-	-	-	-	-	-	-	3,994	15,448	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2018 $	2017 $
Change in profit/(loss)		
Increase in interest rate by 1%	(53)	(842)
Decrease in interest rate by 1%	53	842
Change in equity		
Increase in interest rate by 1%	(53)	(842)
Decrease in interest rate by 1%	53	842

Directors' declaration

In the opinion of the directors:

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

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

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

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

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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

Victor Charles Rodwell, Chairman

Signed on the 5th of September 2018.

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 Western Port Community Enterprise Limited

Report on the audit of the financial statements

Our opinion
In our opinion, the financial report of Western Port Community Enterprise 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
Western Port Community Enterprise Limited's (the company) financial report comprises the:

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

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

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

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

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

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

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: 5 September 2018

David Hutchings
Lead Auditor

Hastings & District **Community Bank**® Branch
96 High Street, Hastings VIC 3915
Phone: (03) 5979 2075 Fax: (03) 5979 8535

Franchisee: Western Port Community Enterprises Limited
96 High Street, Hastings VIC 3915
Phone: (03) 5979 2075 Fax: (03) 5979 8535
ABN: 47 129 333 044

www.bendigobank.com.au/hastings

(BNPAR18031) (09/18)

Bendigo Bank
Bigger than a bank.

bendigobank.com.au