Annual Report 2018

Whitehorse Community Enterprises Limited

ABN 67 106 202 304

Blackburn South **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2018

Fourteen years ago the doors of Blackburn South **Community Bank**® Branch opened to return banking services to our local community that had receded in the previous years. And history seems to be repeating in recent times with more bank branches in our area closing, but as you may have noted with our recent advertisements in the local newspaper we are not planning on going anywhere.

This past financial year we provided $101,048 in sponsorship to our community, up 73% on the previous financial year, distributed or allocated $101,800 to current and future grants (the later deposits with Bendigo's Community Enterprise Foundation), up a massive 124% on the previous year, and paid $65,701 to our shareholders, most of whom live locally.

Financially we ended the year with a profit after income tax expenses of $138,545, down $4,034 or 2.8% from last year's $142,579. But considering we have almost doubled our community contribution to over $200,000 this is an excellent result that all concerned should be very pleased. Once again our Manager Peter Grierson had an excellent year in writing business ably supported by his team at the branch.

We acknowledge two retirements from the board during the year. Jason Talbot was a director for a number of years and brought great experience and expertise in finance. But Jason having moved residences is now containing his good work with a neighbouring **Community Bank**®. We also farewelled Sophie Valkan, who had a legal background and brought a most insightful contribution. We wish them both the very best with future endeavours.

I am delighted to welcome Daniel Nguyen and Jayden Yu to our board. Both come from a collaboration with Deakin University that has seen nine short listed candidates from high achieving students being placed on seven **Community Bank**® boards across Melbourne. Daniel and Jayden have brought great commitment to the role and importantly a younger perspective to the board's decision making.

With great pride I wish to advise our shareholders that your community bank was awarded Branch of the Year for the region (up against company branches as well as community). The award recognises a cohesive and supported management of the team, targets exceeded, consistent performance and the respect that Peter is held within the region. The board was also recognised with the Next Generation Award which was for our diversity, diligence, engagement with the Deakin University Director Program and our preparedness to challenge and not just accepting the status quo.

An outstanding year for all involved, congratulations to our Branch Manager, Branch Staff and our Directors.

Andrew Munroe
Chairman

Branch Manager's report

For year ending 30 June 2018

The 2017/18 financial year has seen the Blackburn South **Community Bank**® Branch continue to record solid growth. The total business volume of $180 million as at 30 June 2018 was generated from a base of 3,800 customers which is remarkable evidence of the support we receive from our community. The year's growth of $29 million is also most pleasing given the strong and competitive market in which we trade.

I would like to acknowledge the support and hard work of the Blackburn South team of Corey Lim, Marcy Whitby, Kelly Kerwin, Rosa Damino and Lauren Sandy during the last financial year. Unfortunately for us, Lauren has moved over to our Woori Yallock branch. But we are pleased to welcome Leanne Fyffe to our team. Leanne has vast experience in the banking field.

To most customers the staff are the face of their **Community Bank**® Branch and to be continually greeted by both name and a friendly face that can provide courteous and professional service is a key element of the success of our branch.

Our board of directors is to be congratulated on their efforts in running a successful business. With the demands associated with a busy branch, in addition to their own lives and work pressures, we have had some memorable times supporting our local community this year and I have no doubt there will be many more in the future.

The upcoming year will provide challenges as the competition increases within the banking environment, however I am confident that with the support of our shareholders and customers, together with the advocacy of our community partners who continue to spread the word, our business will continue to thrive. The success of the **Community Bank**® network has seen other institutions trying to align themselves to the community, however only one bank truly believes that successful customers, equals successful communities which in turn equals a successful bank.

Please continue to play your part by spreading the word about the very personal and professional banking service provided by your **Community Bank**® Branch, and in doing so, this will ensure that your branch continues to grow and that our commitment and contribution to our local community will continue to grow.

Peter Grierson
Branch Manager

Directors' report

For year ending 30 June 2018

Your directors submit the financial statements of the company for the financial year ended 30 June 2018.

Directors

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

Andrew Stephen Munroe

Chairman

Occupation: Telecommunications Engineer

Qualifications, experience and expertise: Holds a Bachelor of Business Royal Melbourne Institute of Technology. Past executive member and Treasurer of a range of community organisations, many local to the catchment area of Blackburn South. Past and founding member of the Victorian Amputee and Disabled Skiiers Association (now Wintersports). Over eight years experience as a local government Councillor with the City of Whitehorse, including serving as the city's Mayor in 2012/13 and 2014/2015.

Special responsibilities: Governance Committee

Interest in shares: 1,001

Diane Elizabeth Fisher

Deputy Chair

Occupation: Change Manager

Qualifications, experience and expertise: Principal – The Balance Approach Pty Ltd. Diane has over 20 years consulting experience with a range of industries from financial services, logistics and transport and health care delivery. Diane has lived in the City of Whitehorse for almost 30 years. She serves on the Eastern Health Community Advisory Committee, and is a member of the Expert Advisory Committee for Cognition, Mobility and Continence. Diane is a member of the Rotary Club of Templestowe, with responsibility for leadership and training programs in the area known as Rotary District 9810. Special responsibilities: Deputy Chair, Community Engagement Committee

Interest in shares: 1,000

David Stewart Spong

Director

Occupation: CFO/ Finance Director

Qualifications, experience and expertise: David is the Australia and New Zealand CFO and Director of Finance and Business Services for Ericsson, working for both the Australian subsidiary and the parent company, LM Ericsson, since 1997. David's roles have included General Manager Finance, CFO and Finance Director (Saudi Arabia) and Group Business Controller for the global Ericsson organisation. David has over twenty-five years corporate, SME and not-for-profit experience and has worked in Sweden, Saudi Arabia, United Arab Emirates and Australia. Outside his executive career, David has been activity involved in local community not-for-profit organisations along with a strong engagement with CPA Australia Limited – having held the role of Deputy Victorian President in 2014 and Non-Executive Director from 2014–2017. In addition to David's CPA involvement, he is a member of the RMIT School of Accounting advisory board and has been approached by The Prince's Accounting for Sustainability Project to assist in determining the viability of the establishment of an Australian and New Zealand chapter for this initiative of the Prince of Wales. Bachelor of Business, FCPA (CPA Australia), GAICD (Australian Institute of Company Directors).

Former directorships in the last three years: CPA Australia Limited: October 2014 to June 2017.

Special responsibilities: Chair of the Governance Sub-Committee. Member of the Finance Sub-Committee

Interest in shares: Nil

Directors (continued)

Peter John Enlund

Director

Occupation: Retired Chartered Accountant

Qualifications, experience and expertise: Fellow of the Institute of Chartered Accountants Australia and New Zealand, admitted in 1977. Currently undertaking a Bachelor of Arts degree at Monash University. Active member of the Rotary Club of Box Hill Central and a Rotarian for over 30 years. Treasurer of two not-for-profit entities during 2015–2017. Peter has extensive experience in Australia and USA. He has held executive and board positions such as Chief Operating Officer, Chief Financial Officer, Group General Manager – Finance and Administration and Company Secretary in a variety of businesses (including four Australian universities, two ASX-listed companies and divisions of a major Australian ASX-listed manufacturer).

Special responsibilities: Governance Committee, Human Resources Committee, Finance Committee

Interest in shares: Nil

Daniel Robert Watts

Director

Occupation: Finance Manager

Qualifications, experience and expertise: Dan has a finance, accounting, and reporting background. Dan is presently a finance manager with BHP and has led group-level financial accounting, management accounting, tax accounting, and finance project teams over the past six years. Prior to BHP, Dan was a manager in the assurance and advisory service line of Deloitte in Australia and Canada. Dan is presently President of Blackburn Lake Primary School Council and is actively involved in a number of community clubs.

Special responsibilities: Treasurer, Finance Committee

Interest in shares: Nil

Lelen Kemke

Director (Appointed 2 August 2018)

Occupation: Business Owner

Qualifications, experience and expertise: Lelen holds Bachelors degrees in Law and Arts (Psychology) from Monash University and a Masters of Taxation from the University of Melbourne. Lelen established an award-winning medium-sized business in 2014, BASE Camp Kids, which specialises in art, baking and science parties and workshops for children. Responsible for all operational aspects of running the business with over 20 employees. Prior to that, Lelen has had extensive consulting experience with PwC in Melbourne and Singapore – advising multinational corporations across various industry lines on complex transactions and restructures.

Special responsibilities: Governance Committee

Interest in shares: Nil

Thanh (Daniel) Dat Nguyen

Director (Appointed 3 May 2018)

Occupation: Student Mentor

Qualifications, experience and expertise: Daniel holds a Bachelor of Commerce degree (with distinction) and was winner of the Vice-Chancellor's Medal for Outstanding Contribution to University Life in 2017. With long-term experience mentoring students at Deakin University, Daniel contributes to the student learning experience and the community through various roles, included professional development at the Golden Key Honour Society and as a program coordinator at Deakin University English Language Institution. He is currently completing his honours in Accounting, specialising in Auditing and works as a student mentor at the student engagement department of the Faculty of Business and Law at Deakin University.

Special responsibilities: Governance Committee

Interest in shares: Nil

Pui Yin (Jayden) Yu

Director (Appointed 3 May 2018)

Occupation: Business and Law Faculty Ambassador, Deakin University

Qualifications, experience and expertise: Jayden is currently in the process of completing his Bachelor of Commerce (Economics), Deakin University. Jayden is a Business and Law faculty ambassador and an undergraduate mentor at Deakin University. He is also Marketing Coordinator of the Deakin Economics & Finance Association (DEFA).

Special responsibilities: Community Engagement Committee

Interest in shares: Nil

Elizabeth Mary Stinson

Director (Resigned 31 August 2018)

Occupation: Retired

Qualifications, experience and expertise: Holds Bachelors degrees in Biology and Education, Masters of Zoology, Education, Human Nutrition, and a Master of Business Administration (MBA). She is a graduate member of the Australian Institute of Company Directors, having completed the course in 2012 and maintained professional accreditation since then. She has over 20 years experience in organisational management and leadership in community services, and higher education in Australia. Over 15 years experience on boards and community-based committees of management in Victoria and South Australia. Elizabeth is a member of the board of Community Housing (Victoria) Ltd since 2013 and Chair of the Audit and Risk Committee. She is a member of the Board of Phillip Island Nature Parks since 2015, Chair of the People of Remuneration Sub-committee and Chair of the Science and Research Advisory Committee.

Special responsibilities: Chair of the Community Engagement Committee

Interest in shares: Nil

Sophie Valkan

Director (Resigned 2 February 2018)

Occupation: Non-Executive Director

Qualifications, experience and expertise: GAICD, LLB, B.Com, Grad Dip CSP, CPA. Sophie has held director roles since 1990. She moved into a non-executive director career after a career in law, followed by 20 years in business leadership roles across widely diverse industries. She has a consulting practice targeting large–small businesses transitioning into small–large business, where she helps entrepreneurs and business leaders through this difficult organisational growth phase. Her current board and advisory board roles include Lexvoco, Eastern Victoria General Practitioners Training, Sitless Desks and Quadvest Property, and others. In her board and executive roles, Sophie has spanned a range of organisations; from the second largest corporation in the world through to a federal government business enterprise, SMEs, and small start-ups in industries ranging from banking, finance, utilities and infrastructure, transport, retail, franchising, automotive, medical, legal, not-for-profits and digital disruptors in traditional industries.

Special responsibilities: Governance Committee

Interest in shares: Nil

Jason Alexander Talbot

Director (Resigned 30 August 2017)

Occupation: Consultant – Governance, Strategy and Finance

Qualifications, experience and expertise: Holds a Bachelor of Science, PhD, Graduate Diploma in Accounting and Master of Applied Finance. A member of the Institute of Chartered Accountants Australia and New Zealand and a Graduate member of the Australian Institute of Company Directors. Has over 20 years experience with a variety of organisations, including Ernst & Young, National Australia Bank and Price Waterhouse Coopers. Currently runs an independent consulting group – Graphite i2i. Special responsibilities: Finance 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 Larissa Jane Evans. Larissa was appointed to the position of secretary on 16 January 2014. She has resided in the area for over 18 years and is involved in many local sporting clubs.

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 $
	138,545	142,579

Dividends

	Year ended 30 June 2018	
	Cents	$
Dividends paid in the year	10	65,701

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in Note 21 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Directors' meetings	
	Eligible	Attended
Andrew Stephen Munroe	9	8
Diane Elizabeth Fisher	9	8
David Stewart Spong	9	8
Peter John Enlund	9	8
Daniel Robert Watts	9	7
Lelen Kemke (Appointed 2 August 2018)	–	–
Thanh (Daniel) Dat Nguyen (Appointed 3 May 2018)	3	3
Pui Yin (Jayden) Yu (Appointed 3 May 2018)	3	3
Elizabeth Mary Stinson (Resigned 31 August 2018)	9	8
Sophie Valkan (Resigned 2 February 2018)	4	4
Jason Alexander Talbot (Resigned 30 August 2017)	–	–

Proceedings on behalf of the company

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

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

Non audit services

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

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

Directors' report (continued)

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

Signed in accordance with a resolution of the board of directors at at Blackburn, Victoria on 27 September 2018.

Andrew Stephen Munroe
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 Whitehorse Community Enterprises Ltd

As lead auditor for the audit of Whitehorse Community Enterprises Ltd 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: 27 September 2018

David Hutchings
Lead Auditor

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Financial statements

Statement of Profit or Loss and Other Comprehensive Income
For year ending 30 June 2018

	Notes	2018 $	2017 $
Revenue from ordinary activities	4	1,097,689	977,438
Employee benefits expense		(459,798)	(432,470)
Charitable donations, sponsorship, advertising and promotion		(215,165)	(120,513)
Occupancy and associated costs		(62,497)	(67,058)
Systems costs		(20,274)	(17,703)
Depreciation and amortisation expense	5	(23,242)	(22,822)
Finance costs	5	(388)	(15)
General administration expenses		(123,568)	(117,645)
Profit before income tax expense		**192,757**	**199,212**
Income tax expense	6	(54,212)	(56,633)
Profit after income tax expense		**138,545**	**142,579**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**138,545**	**142,579**

Earnings per share		**¢**	**¢**
Basic earnings per share	22	21.09	21.07

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	701,713	617,622
Trade and other receivables	8	109,700	100,242
Total current assets		**811,413**	**717,864**
Non-current assets			
Property, plant and equipment	9	122,745	126,520
Intangible assets	10	10,246	23,989
Deferred tax asset	11	6,046	4,136
Total non-current assets		**139,037**	**154,645**
Total assets		**950,450**	**872,509**
LIABILITIES			
Current liabilities			
Trade and other payables	12	35,982	39,652
Current tax liabilities	11	15,639	21,935
Provisions	13	53,618	40,436
Total current liabilities		**105,239**	**102,023**
Non-current liabilities			
Provisions	13	8,649	6,768
Total non-current liabilities		**8,649**	**6,768**
Total liabilities		**113,888**	**108,791**
Net assets		**836,562**	**763,718**
EQUITY			
Issued capital	14	464,870	464,870
Retained earnings	15	371,692	298,848
Total equity		**836,562**	**763,718**

The accompanying notes form part of these financial statements.

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

	Notes	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2016		464,870	221,970	686,840
Total comprehensive income for the year		–	142,579	142,579
Transactions with owners in their capacity as owners:				
Shares issued during period		–	–	–
Costs of issuing shares		–	–	–
Dividends provided for or paid	20	–	(65,701)	(65,701)
Balance at 30 June 2017		**464,870**	**298,848**	**763,718**
Balance at 1 July 2017		464,870	298,848	763,718
Total comprehensive income for the year		–	138,545	138,545
Transactions with owners in their capacity as owners:				
Shares issued during period		–	–	–
Costs of issuing shares		–	–	–
Dividends provided for or paid	20	–	(65,701)	(65,701)
Balance at 30 June 2018		**464,870**	**371,692**	**836,562**

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		1,183,568	1,045,541
Payments to suppliers and employees		(974,835)	(842,526)
Interest received		9,589	10,711
Interest paid		(388)	(15)
Income taxes paid		(62,418)	(44,131)
Net cash provided by operating activities	16	**155,516**	**169,580**
Cash flows from investing activities			
Payments for property, plant and equipment		(5,724)	(3,806)
Net cash used in investing activities		**(5,724)**	**(3,806)**
Cash flows from financing activities			
Dividends paid	20	(65,701)	(65,701)
Net cash used in financing activities		**(65,701)**	**(65,701)**
Net increase in cash held		**84,091**	**100,073**
Cash and cash equivalents at the beginning of the financial year		617,622	517,549
Cash and cash equivalents at the end of the financial year	7a	**701,713**	**617,622**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 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 Standard Boards and the *Corporations Act 2001*. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

There are a number of amendments to accounting standards issued by the 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

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

period of initial application will depend on future economic conditions, including the company's borrowing rate at 1 January 2019, the composition of the lease portfolio at that date, the latest assessment of whether the company will exercise any lease renewal options and the extent to which the company chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating lease of its branch. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to $38,667, 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 Blackburn, Victoria.

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

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

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

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

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

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

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)
a) Basis of preparation (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.

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 branches. 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.

Note 1. Summary of significant accounting policies (continued)
b) Revenue (continued)

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 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.

Note 1. Summary of significant accounting policies (continued)
c) Income tax (continued)

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 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.

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.

Note 1. Summary of significant accounting policies (continued)
g) Property, plant and equipment (continued)

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

– leasehold improvements	5–15 years
– plant and equipment	2.5–4.0 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.

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) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management.

Note 1. Summary of significant accounting policies (continued)
k) Financial instruments (continued)

They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where that are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

iv) 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 1. Summary of significant accounting policies (continued)

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

i) Market risk

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

ii) Price risk

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

iii) Credit risk

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

iv) Liquidity risk

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

v) Cash flow and fair value interest rate risk

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

vi) Capital management

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

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

Note 2. Financial risk management (continued)

The distribution limit is the greater of:

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

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2017 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

	2018 $	2017 $

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets

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

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

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

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

Note 4. Revenue from ordinary activities

	2018 $	2017 $
Operating activities		
– gross margin	969,654	822,584
– services commissions	47,983	66,331
– fee income	59,363	59,517
– market development fund	10,000	18,750
Total revenues from operating activities	**1,087,000**	**967,182**
Non-operating activities:		
– interest received	10,689	10,256
Total revenue from non-operating activities	**10,689**	**10,256**
Total revenues from ordinary activities	**1,097,689**	**977,438**

Notes to the financial statements (continued)

	2018 $	2017 $

Note 5. Expenses

Depreciation of non-current assets:		
– plant and equipment	1,517	1,316
– furniture and fittings	112	121
– leasehold improvements	7,870	7,642
Amortisation of non-current assets:		
– franchise agreement	2,291	2,291
– franchise renewal fee	11,452	11,452
	23,242	**22,822**
Finance costs:		
– interest paid	388	15
Bad debts	724	1,293

Note 6. Income tax expense

The components of tax expense comprise:		
– Current tax	56,122	57,476
– Movement in deferred tax	(1,910)	(843)
	54,212	**56,633**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit	192,757	199,212
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	53,008	54,784
Add tax effect of:		
– non-deductible expenses	1,204	1,848
– timing difference expenses	1,910	844
	56,122	**57,476**
Movement in deferred tax	(1,910)	(843)
	54,212	**56,633**

	Note	2018 $	2017 $

Note 7. Cash and cash equivalents

Cash at bank and on hand	118,234	193,733
Term deposits	583,479	423,889
	701,713	**617,622**

Note 7.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the Statement of Cash Flows at the end of the financial year as follows:

Cash at bank and on hand	118,234	193,733
Term deposits	583,479	423,889
	701,713	**617,622**

Note 8. Trade and other receivables

Current:		
Trade receivables	95,287	84,816
Prepayments	9,046	11,160
Other receivables and accruals	5,367	4,266
	109,700	**100,242**

	Note	2018 $	2017 $

Note 9. Property, plant and equipment

Leasehold improvements			
At cost		220,925	217,925
Less accumulated depreciation		(112,321)	(104,451)
		108,604	**113,474**
Plant and equipment			
At cost		50,668	47,944
Less accumulated depreciation		(37,090)	(35,573)
		13,578	**12,371**
Furniture and fittings			
At cost		3,797	3,797
Less accumulated depreciation		(3,234)	(3,122)
		563	**675**
Total written down amount		**122 745**	**126 520**
Movements in carrying amounts:			
Leasehold improvements			
Carrying amount at beginning		113,474	118,980
Additions		3,000	2,136
Disposals		–	–
Less: depreciation expense		(7,870)	(7,642)
Carrying amount at end		**108,604**	**113,474**
Plant and equipment			
Carrying amount at beginning		12,371	12,018
Additions		2,724	1,669
Disposals		–	–
Less: depreciation expense		(1,517)	(1,316)
Carrying amount at end		**13,578**	**12,371**
Furniture and fittings			
Carrying amount at beginning		675	796
Additions		–	–
Disposals		–	–
Less: depreciation expense		(112)	(121)
Carrying amount at end		**563**	**675**
Total written down amount		**122,745**	**126,520**

	2018 $	2017 $

Note 10. Intangible assets

Franchise fee		
At cost	82,930	82,930
Less: accumulated amortisation	(81,212)	(78,921)
	1,718	**4,009**
Renewal processing fee		
At cost	114,645	114,645
Less: accumulated amortisation	(106,117)	(94,665)
	8,528	**19,980**
Total written down amount	**10,246**	**23,989**

Note 11. Tax

Current:		
Income tax payable	**15,639**	**21,935**
Non-current:		
Deferred tax assets		
– accruals	770	743
– employee provisions	17,123	12,981
	17,893	**13,724**
Deferred tax liability		
– accruals	1,476	1,175
– property, plant and equipment	10,371	8,413
	11,847	**9,588**
Net deferred tax asset	**6,046**	**4,136**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**(1,910)**	**(843)**

Note 12. Trade and other payables

Current:		
Trade creditors	10,180	10,153
Other creditors and accruals	25,802	29,499
	35,982	**39,652**

	Note	2018 $	2017 $

Note 13. Provisions

Current:			
Provision for annual leave		30,841	20,262
Provision for long service leave		22,777	20,174
		53,618	**40,436**
Non-Current:			
Provision for long service leave		**8,649**	**6,768**

Note 14. Issued capital

657,010 ordinary shares fully paid (2017: 657,010)		**657,010**	**657,010**
Less: equity raising expenses		(27,887)	(27,887)
Less: return of capital (2009)		(59,131)	(59,131)
Less: return of capital (2010)		(59,131)	(59,131)
Less: return of capital (2011)		(45,991)	(45,991)
		464,870	**464,870**

Rights attached to shares

a) Voting rights

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

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

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

b) Dividends

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

c) Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares. Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001*.

	2018 $	2017 $

Note 14. Issued capital (continued)

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 they control or own 10% or more of the shares in the company (the ‘10% limit’).

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. Retained earnings

	2018 $	2017 $
Balance at the beginning of the financial year	298,848	221,970
Net profit from ordinary activities after income tax	138,545	142,579
Dividends provided for or paid	(65,701)	(65,701)
Balance at the end of the financial year	**371,692**	**298,848**

	2018 $	2017 $

Note 16. Statement of cash flows

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

	2018 $	2017 $
Profit from ordinary activities after income tax	138,545	142,579
Non cash items:		
– depreciation	9,499	9,079
– amortisation	13,743	13,743
Changes in assets and liabilities:		
– increase/(decrease) in receivables	(9,458)	(10,261)
– increase/(decrease) in other assets	(1,910)	(843)
– increase/(decrease) in payables	(3,670)	(10,287)
– increase/(decrease) in provisions	15,063	12,225
– increase/(decrease) in current tax liabilities	(6,296)	13,345
Net cash flows provided by operating activities	**155,516**	**169,580**

Note 17. Leases

	2018 $	2017 $
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	38,667	44,583
– between 12 months and 5 years	–	37,152
	38,667	**81,735**

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 is due for renewal on 5 April 2019, with one further option for a 5 year term available.

Note 18. Auditor's remuneration

	2018 $	2017 $
Amounts received or due and receivable by the auditor of the company for:		
– audit and review services	4,400	4,200
– share registry services	6,607	5,745
– other non audit services	2,680	2,390
	13,687	**12,335**

	2018 $	2017 $

Note 19. Director and related party disclosures

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

Andrew Stephen Munroe

Diane Elizabeth Fisher

David Stewart Spong

Peter John Enlund

Daniel Robert Watts

Lelen Kemke (Appointed 2 August 2018)

Thanh (Daniel) Dat Nguyen (Appointed 3 May 2018}

Pui Yin Yu (Appointed 3 May 2018)

Elizabeth Mary Stinson (Resigned 31 August 2018}

Sophie Valkan (Resigned 2 February 2018)

Jason Alexander Talbot (Resigned 30 August 2017)

No director or related entity has entered into a material contract with the company.

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

Transactions with related parties		
Andrew Munroe was reimbursed for newsletter expenses incurred on behalf of the company	–	449

Directors shareholdings

Andrew Stephen Munroe	1,001	1,001
Diane Elizabeth Fisher	1,001	1,001
David Stewart Spong	–	–
Peter John Enlund	–	–
Daniel Robert Watts	–	–
Lelen Kemke (Appointed 2 August 2018)	–	–
Thanh (Daniel) Dat Nguyen (Appointed 3 May 2018}	–	–
Pui Yin Yu (Appointed 3 May 2018)	–	–
Elizabeth Mary Stinson (Resigned 31 August 2018}	–	–
Sophie Valkan (Resigned 2 February 2018)	–	–
Jason Alexander Talbot (Resigned 30 August 2017)	–	–

There was no movement in directors shareholdings during the year.

Notes to the financial statements (continued)

	2018 $	2017 $

Note 20. Dividends provided for or paid

a) Dividends paid during the year	**65,701**	**65,701**
Current year dividend 100% (2017: 100%) franked dividend – 10 cents (2017: 10 cents) per share		
The tax rate at which dividends have been franked is 27.5% (2017: 27.5%)		
b) Franking account balance		
Franking credits available for subsequent reporting periods are:		
– franking account balance as at the end of the financial year	205,945	143,530
– franking credits that will arise from payment of income tax as at the end of the financial year	15,639	21,935
Franking credits available for future financial reporting periods	221,584	165,465
Net franking credits available	**221,584**	**165,465**

Note 21. Key management personnel disclosures

The directors received remuneration including superannuation, as follows:

Andrew Stephen Munroe	4,000	4,000
Diane Elizabeth Fisher	2,000	2,000
David Stewart Spong	2,000	2,000
Peter John Enlund	2,000	2,000
Daniel Robert Watts	3,000	333
Lelen Kemke (Appointed 2 August 2018)	–	–
Thanh (Daniel) Dat Nguyen (Appointed 3 May 2018)	333	–
Pui Yin (Jayden) Yu (Appointed 3 May 2018)	333	–
Elizabeth Mary Stinson (Resigned 31 August 2018)	2,000	2,000
Sophie Valkan (Resigned 2 February 2018)	660	–
Jason Alexander Talbot (Resigned 30 August 2017)	–	3,000
	16,326	**15,333**

Community Bank® directors' privileges package

The board has adopted the **Community Bank®** directors' privileges package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank®** branch at Blackburn, Victoria. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the directors from the directors' privilege package are $130 for the year ended 30 June 2018 (2017: $nil).

	2018 $	2017 $

Note 22. Earnings per share

	2018 $	2017 $
a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	138,545	142,579
	Number	**Number**
b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	657,010	657,010

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 Blackburn, 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**
1/134 Canterbury Road	1/134 Canterbury Road
Blackburn South VIC 3130	Blackburn South VIC 3130

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.

	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 $	2017 %
Financial assets												
Cash and cash equivalents	117,517	193,115	583,479	423,889	–	–	–	–	717	618	1.43	1.74
Receivables	–	–	–	–	–	–	–	–	95,287	84,816	N/A	N/A
Financial liabilities												
Payables	–	–	–	–	–	–	–	–	10,180	10,153	N/A	N/A

Note 27. Financial instruments (continued)

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%	7,010	6,170
Decrease in interest rate by 1%	(7,010)	(6,170)
Change in equity		
Increase in interest rate by 1%	7,010	6,170
Decrease in interest rate by 1%	(7,010)	(6,170)

Directors' declaration

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

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

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

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

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

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

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

Andrew Stephen Munroe
Chairman

Signed on the 27th of 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 Whitehorse Community Enterprises Ltd

Report on the audit of the financial statements

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

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

What we have audited
Whitehorse Community Enterprises Ltd's (the company) financial report comprises the:

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

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

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

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

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

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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: 27 September 2018

David Hutchings
Lead Auditor

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Franchisee: Whitehorse Community Enterprises Limited
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ABN: 67 106 202 304

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