2018 Annual Report

Whitsunday Community Enterprises Limited

ABN 39 150 376 435

Cannonvale & Proserpine **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2018

The Board and myself have the pleasure to report on Whitsunday Community Enterprises Limited trading year 2017/18 financials. On behalf of the Whitsunday community, we partner with Bendigo and Adelaide Bank Limited in the operation of the Cannonvale & Proserpine **Community Bank**® Branch.

The **Community Bank**® branch continues to trade with tight margins over this period, however our Manager, Kathryn, and our staff continue to expand our business, and their dedication to drive our company into profit is well appreciated by the Board of Directors. Kathryn and our staff continue to give their time in promoting the branch's activities outside business hours and this is acknowledged and appreciated by the Board.

I must thank our Board for a job well done and their professional skills offered to the management of our company.

The year's trade has improved our book value by 10.4%, reduced our overdraft by 13.95%, and grown our customer base by 11.55%.

You, as part owners of our company, can help in driving us into stronger profits by banking with our **Community Bank**® branch or recommending to friends to consider banking with the branch in the future.

It was significant to see the Roy Morgan organisation release the results of it's annual Net Trust Score survey (in July). Among the top 10 Brands in Australia, Bendigo Bank ranked number three, after ALDI and the NRMA, and the only banking brand in the top nine.

Bendigo Bank offers all services provided by the big four banks and are placed fifth in size by customer base in Australia.

The community trailer we have is out most weekends around the Whitsundays, helping not-for-profit clubs run their club events and we must thank John Penhallurick and Mario De Martini for their management of this asset on behalf of the Board.

We have welcomed two new Directors to our Board this year. One has extensive experience in international banking, welcome Tania Wilson, and the other with extensive experience in Chartered Accountancy and also a **Community Bank**® branch background with Bendigo Bank at Varsity Lakes, welcome Mark Henry. Along with the Board, I look forward to continuing the **Community Bank**® branch's success with your additional expertise on our Board.

Jeffrey J Law
Chairman

Manager's report

For year ending 30 June 2018

The 2017/18 financial year ended with the Cannonvale & Proserpine **Community Bank®** Branch performing strongly and achieving expectations in business growth.

After the difficulties experienced within our community following the months after TC Debbie in dealing with insurance claims, rebuilding property and a downturn in tourism; our company (and branch) are very fortunate to have increased our total business by $6.3 million. Our book value as at 30 June 2018 is now $66.7 million, comprising of everyday and business accounts, personal and home lending, business lending and a suite of insurance products.

We are supported by experienced and professional team of specialist in Financial Planning, Business Banking and Rural Lending and are proud to offer these services to each of our 1,602 customers.

Our wonderful community BBQ trailer is again in high demand. I'd like to thank John Penhallurick and the support of our busy logistics committee in delivering and collecting the trailer from events and assisting with the set up of the marquees. The BBQ trailer has proven to be an invaluable contribution to our local community groups and is regularly used in conjunction with our CommunityPOS (mobile eftpos machine).

Throughout the year we have been very proud to support community events such as the Clipper Cup. In particular, the Cannonvale & Proserpine **Community Bank®** Branch Welcome Party. The Welcome Party included a free community street party welcoming the Clipper Cup fleet, market stalls and live music by the amazingly talented Aussie band Busby Marou. In addition, we have also continued to support our not-for-profit organisations. As part of our ongoing sponsorship program we have been able to invest in a number of organisations such as:

- Whitsunday Show
- Whitsunday Brahmans
- Whitsunday Netball Assocation
- Whitsunday Sea Eagle AFL Club
- Whitsunday Suicide Prevention Network
- Proserpine Golf Club
- Airlie Beach Bridge Club.

Without the support of our Board of Directors, our community investment would not be possible. It is their advocacy, dedication and passion for the Whitsunday community that allows us the opportunity to invest in our towns. I cannot thank them enough for all they do for our branch, staff and community.

Finally, I'd like to thank my team – Leonie, Danica, Tina and Shane. These are the ladies talking to our customers, assisting them with their financial needs and going above and beyond to ensure that your experience with our **Community Bank®** branch is second to none.

As we move forward we are again focussing on the continual growth of our **Community Bank®** branch. Your support in transferring your banking to your **Community Bank®** branch is essential in continuing the growth and investment back into our Whitsunday community.

Kathryn Lange
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

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:

Jeffrey James Law

Chairman

Occupation: Retired

Qualifications, experience and expertise: Self employed from the age of 25. Developed and managed Auto Electrical, Chemical and Engineering companies. Has been a Councillor in the Whitsunday Shire Council. Office bearer in Golf Club, Game fishing, Shooters club and Squash club.

Special responsibilities: Marketing Committee, Audit/Corporate Governance Committee.

Interest in shares: 60,051

Krystine Margaret Halsey

Treasurer

Occupation: Office Administration

Qualifications, experience and expertise: Worked as a conveyancing clerk in Darwin before moving to the Whitsundays in 1987 where she married and had two children, and has worked in the family business as an office administrator. Has also worked as a book keeper in a part time capacity for many years. Has held a Treasurer position for a local sporting club.

Special responsibilities: Audit & Corporate Governance Committee

Interest in shares: 6,052

Michael John Porter

Director

Occupation: General Manager & Company Secretary

Qualifications, experience and expertise: Michael has been actively involved in the Company since inception and presides on a number of internal committees including Audit & Corporate Governance, Human Resource, and Business Development. He also coordinates the activities of the Company's Low Volume Market. Michael has over 21 years in the banking industry, prior to spending 13 years in self-employment. He has spent the last seven years as manager with membership organisation Canegrowers Proserpine where he performs the duties of Company Secretary and Office Manager. Married with three children, he also commits time to other community based organisations including Proserpine AP&I and Proserpine Chamber of Commerce. Michael holds a Bachelor of Business.

Special responsibilities: Audit & Corporate Governance, Business Development, and Human Resources Committees

Interest in shares: 2,581

Directors (continued)

Ross Percy David Hughes

Director

Occupation: Retired Teacher

Qualifications, experience and expertise: Primary school teacher and Deputy Principal (36 years). Diploma of Teaching. School and community leadership positions. Pianist/organist at Properpine Whitsunday Uniting and Anglican Churches. Member of Whitsunday Friends of the Theatre. Member of the Masonic Lodges (Proserpine Whitsunday, Mackay, North QLD). Life member of Proserpine State Parents & Citizens Associate. Whitsunday Regional Council Citizen of the Year in 2013.

Special responsibilities: Community Engagement and Marketing Committees

Interest in shares: Nil

Andrew John Telford

Director

Occupation: Solicitor

Qualifications, experience and expertise: Bachelor of Laws (CLB). Current committee member of Whitsunday Coast Chamber of Commerce and Director of Tourism Whitsundays. Admitted as a solicitor in 1991. Principal of a law firm since 1993.

Special responsibilities: Audit & Corporate Governance and Business Development Committees

Interest in shares: 35,001

Tania Kim Wilson

Director

Occupation: Semi-retired banker

Qualifications, experience and expertise: Banking career spanned 20 years, commencing in Australia in retail banking before taking up roles in corporate banking and credit risk management in London, Dublin, and Singapore in areas including leveraged finance, financial markets and commodities. Relocated to Whitsundays in 2016 with young family. Active member of Parents & Friends Group at Whitsunday Christian College. Holds ACCA Certified Diploma in Accounting and Finance and IACT Graduate Certificate in Corporate Treasury.

Special responsibilities: Business Development Committee

Interest in shares: Nil

Mark Clifford Henry

Director (Appointed 26 June 2018)

Occupation: Business Advisor

Qualifications, experience and expertise: Mark has over 30 years direct experience in general and financial management in the small and medium business sector, predominately in south east Queensland and Northern NSW and extending to Sydney, Melbourne, Adelaide and Hobart. This experience has been gained through senior management employment in various companies; project consulting; and ownership of various small businesses in the Accounting software sector and the CRM (Customer Relationship Management) software sector. Community work has been predominantly through Chambers of Commerce, with Mark being a Life Member of the Gold Coast Central Chamber of Commerce. Business Qualifications include Master of Business Administration (Bond), and Fellow of the Institute of Public Accountants. Through his private company, Profit Growth Pty Ltd, Mark currently works with various client on project related and financial control activities, Grant Writing and sourcing: Whitsunday and Gold Coast.

Special responsibilities: Nil

Interest in shares: Nil

Directors (continued)

Mario Guido Demartini
Director (Resigned 1 August 2018)
Occupation: Retired
Qualifications, experience and expertise: Electrical Fitter Mechanic. Board Member of PCYC. Mayor of Whitsunday Council from 1994 to 2008. Self employed for 36 years as an electrical retailer and contractor. Director of NEATO.
Special responsibilities: Events Committee
Interest in shares: 10,001

John Edward Penhallurick
Director (Resigned 23 May 2018)
Occupation: Self-Employed Farmer
Qualifications, experience and expertise: Self employed sugar cane and cattle farmer. Involved as a volunteer with the **Community Bank**® branch, St Vincent de Paul and the local Rural Fire Board.
Special responsibilities: Community Engagement Committee, **Community Bank**® branch trailer management
Interest in shares: 51,052

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 Karen Vloedmans. Karen was appointed to the position of secretary on 27 June 2017.

Karen is passionate about the Whitsunday community and as such holds various board positions locally. These positions include Secretary for the Proserpine Chamber of Commerce, which boasts well over 100 members. Karen is an invited board member of Tourism Whitsundays, as well as a board member of St Catherine's Catholic College. Karen's experience in Sales and Marketing over the past 20 plus years has seen her work all over Australia in the corporate, hotel and resort arenas. Karen, her husband and two children are proud to call the Whitsundays home.

Principal Activities

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

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 $
869	9,110

Dividends

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

Significant changes in the state of affairs

In 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:

	Board Meetings Attended	
	Eligible	**Attended**
Jeffrey James Law	11	11
Krystine Margaret Halsey	11	11
Michael John Porter	11	11
Ross Percy David Hughes	11	6
Andrew John Telford	11	11
Tania Kim Wilson	11	10
Mark Clifford Henry (Appointed 26 June 2018)	1	1
Mario Guido Demartini (Resigned 1 August 2018)	11	9
John Edward Penhallurick (Resigned 23 May 2018)	10	-

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 10.

Signed in accordance with a resolution of the board of directors at Cannonvale, Queensland on 28 August 2018.

Jeffrey James Law,
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 Whitsunday Community Enterprises Limited

As lead auditor for the audit of Whitsunday Community Enterprises 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: 28 August 2018

David Hutchings
Lead Auditor

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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	522,939	499,032
Employee benefits expense		(275,135)	(246,556)
Charitable donations, sponsorship, advertising and promotion		(28,114)	(45,078)
Occupancy and associated costs		(54,443)	(52,801)
Systems costs		(19,311)	(16,856)
Depreciation and amortisation expense	5	(24,300)	(30,947)
Finance costs	5	(6,602)	(7,711)
General administration expenses		(122,431)	(78,867)
Profit/(loss) before income tax		**(7,397)**	**20,216**
Income tax (expense)/credit	6	8,266	(11,106)
Profit after income tax		**869**	**9,110**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**869**	**9,110**
Earnings per share		**¢**	**¢**
Basic earnings per share	21	0.11	1.14

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	942	23,754
Trade and other receivables	8	14,826	16,998
Total current assets		**15,768**	**40,752**
Non-current assets			
Property, plant and equipment	9	158,264	163,008
Intangible assets	10	80,642	94,073
Deferred tax asset	11	186,411	178,145
Total non-current assets		**425,317**	**435,226**
Total assets		**441,085**	**475,978**
LIABILITIES			
Current liabilities			
Trade and other payables	12	23,604	19,915
Borrowings	13	152,224	176,901
Total current liabilities		**175,828**	**196,816**
Non-current liabilities			
Trade and other payables	12	44,321	59,095
Total non-current liabilities		**44,321**	**59,095**
Total liabilities		**220,149**	**255,911**
Net assets		**220,936**	**220,067**
EQUITY			
Issued capital	14	768,948	768,948
Accumulated losses	15	(548,012)	(548,881)
Total equity		**220,936**	**220,067**

The accompanying notes form part of these financial statements.

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

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2016	768,948	(557,991)	210,957
Total comprehensive income for the year	-	9,110	9,110
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2017	**768,948**	**(548,881)**	**220,067**
Balance at 1 July 2017	768,948	(548,881)	220,067
Total comprehensive income for the year	-	869	869
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2018	**768,948**	**(548,012)**	**220,936**

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		567,142	541,267
Payments to suppliers and employees		(539,119)	(483,562)
Interest paid		(6,602)	(7,711)
Net cash provided by operating activities	**16**	**21,421**	**49,994**
Cash flows from investing activities			
Payments for property, plant and equipment		(6,125)	(2,389)
Payment of intangible assets		(13,431)	-
Net cash used in investing activities		**(19,556)**	**(2,389)**
Net increase in cash held		**1,865**	**47,605**
Cash and cash equivalents at the beginning of the financial year		(153,147)	(200,752)
Cash and cash equivalents at the end of the financial year	**7(a)**	**(151,282)**	**(153,147)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

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 $159,791, 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 Cannonvale and Proserpine, Queensland.

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 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.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan.

For those products and services on which margin is paid, the company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (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.

Products and services on which margin is paid include variable rate deposits and variable rate home loans.

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.

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the 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.

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.

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

- leasehold improvements	40	years
- plant and equipment	2.5 - 40	years
- motor vehicles	3 - 5	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.

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

j) Borrowings (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) 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.

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

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.

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.

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

Estimation of useful lives of assets

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

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	329,494	287,758
- services commissions	87,023	94,029
- fee income	32,776	30,816
- market development fund	37,500	37,500
Total revenue from operating activities	486,793	450,103
Non-operating activities:		
- sundry income	36,146	48,929
Total revenue from non-operating activities	36,146	48,929
Total revenues from ordinary activities	522,939	499,032

Note 5. Expenses

	2018	2017
	$	$
Depreciation of non-current assets:		
- plant and equipment	1,838	1,290
- leasehold improvements	6,785	6,324
- motor vehicles	2,246	2,246
Amortisation of non-current assets:		
- franchise agreement	2,239	1,987
- franchise renewal fee	11,192	767
- establishment fee	(0)	18,333
	24,300	30,947
Finance costs:		
- interest paid	6,602	7,711
Bad debts	494	1,534

Note 6. Income tax expense/(credit)

The components of tax expense/(credit) comprise:		
- Future income tax benefit attributable to losses	(4,874)	-
- Movement in deferred tax	2,700	3,409
- Recoupment of prior year tax losses	-	7,697
- Under/(Over) provision of tax in the prior period	(6,092)	-
	(8,266)	11,106

The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense/(credit) as follows

Operating profit/(loss)	(7,397)	20,216
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	(2,174)	5,560
Add tax effect of:		
- non-deductible expenses	-	5,546
- timing difference expenses	(2,700)	(3,409)
	(4,874)	7,697
Movement in deferred tax	2,700	3,409
Under/(Over) provision of income tax in the prior year	(6,092)	-
	(8,266)	11,106

Note 7. Cash and cash equivalents

Cash at bank and on hand	942	23,754

Note 7.(a) Reconciliation to cash flow statement	Notes	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:			
Cash at bank and on hand		942	23,754
Bank overdraft	13	(152,224)	(176,901)
		(151,282)	(153,147)

Note 8. Trade and other receivables		
Trade receivables	14,826	10,349
Prepayments	-	6,649
	14,826	16,998

Note 9. Property, plant and equipment		
Leasehold improvements		
At cost	192,111	186,978
Less accumulated depreciation	(52,182)	(45,397)
	139,929	141,581
Plant and equipment		
At cost	36,073	35,081
Less accumulated depreciation	(22,496)	(20,658)
	13,577	14,423
Motor vehicles		
At cost	17,970	17,970
Less accumulated depreciation	(13,212)	(10,966)
	4,758	7,004
Total written down amount	158,264	163,008
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	141,581	147,905
Additions	5,133	-
Less: depreciation expense	(6,785)	(6,324)
Carrying amount at end	139,929	141,581
Plant and equipment		
Carrying amount at beginning	14,423	13,324
Additions	992	2,389
Less: depreciation expense	(1,838)	(1,290)
Carrying amount at end	13,577	14,423

Note 9. Property, plant and equipment *(continued)*

	2018	2017
	$	$
Movements in carrying amounts *(continued)*:		
Motor vehicles		
Carrying amount at beginning	7,004	9,250
Less: depreciation expense	(2,246)	(2,246)
Carrying amount at end	4,758	7,004
Total written down amount	158,264	163,008

Note 10. Intangible assets

	2018	2017
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	-	-
Franchise fee		
At cost	21,192	21,192
Less: accumulated amortisation	(12,392)	(10,153)
	8,800	11,039
Franchise renewal fee		
At cost	55,961	55,961
Less: accumulated amortisation	(11,959)	(767)
	44,002	55,194
Redomicile fee	27,840	27,840
Total written down amount	80,642	94,073

Note 11. Tax

	2018	2017
Deferred tax assets		
- accruals	770	742
- tax losses carried forward	202,938	191,972
	203,708	192,714
Deferred tax liability		
- property, plant and equipment	17,297	14,569
	17,297	14,569
Net deferred tax asset	186,411	178,145
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(8,266)	11,106

Note 12. Trade and other payables	2018	2017
	$	$
Current:		
Trade creditors	5,575	2,034
Other creditors and accruals	18,029	17,881
	23,604	19,915
Non-Current:		
Other creditors and accruals	44,321	59,095

Note 13. Borrowings

Current:		
Bank overdrafts	152,224	176,901

The company has an approved overdraft facility of $275,000, secured by a general security over the assets of the company. The overdraft was interest free for the first six months and now attracts interest at a variable rate of 4,030%.

Note 14. Issued capital

800,013 ordinary shares fully paid (2017: 800,013)	800,013	800,013
Less: equity raising expenses	(31,065)	(31,065)
	768,948	768,948

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 160. As at the date of this report, the company had 174 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	(548,881)	(557,991)
Net profit from ordinary activities after income tax	869	9,110
Balance at the end of the financial year	(548,012)	(548,881)

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	869	9,110
Non cash items:		
- depreciation	10,869	9,860
- amortisation	13,431	21,087
Changes in assets and liabilities:		
- (increase)/decrease in receivables	2,172	(2,478)
- (increase)/decrease in other assets	(8,266)	11,106
- increase/(decrease) in payables	2,346	1,309
Net cash flows provided by operating activities	21,421	49,994

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	39,948	38,288
- between 12 months and 5 years	119,843	153,154
	159,791	191,442

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance and increasing each year by 5%. The lease was renewed on 4 June 2017 and has an option to renew for an additional five years.

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	2,000	1,960
	8,285	8,045

Note 19. Director and related party disclosures

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

Jeffrey James Law
Krystine Margaret Halsey
Michael John Porter
Ross Percy David Hughes
Andrew John Telford
Tania Kim Wilson
Mark Clifford Henry *(Appointed 26 June 2018)*
Mario Guido Demartini *(Resigned 1 August 2018)*
John Edward Penhallurick *(Resigned 23 May 2018)*

Directors Shareholdings	2018	2017
Jeffrey James Law	60,051	60,051
Krystine Margaret Halsey	6,052	3,026
Michael John Porter	2,581	2,513
Ross Percy David Hughes	-	-
Andrew John Telford	35,001	35,000
Tania Kim Wilson	-	-
Mark Clifford Henry *(Appointed 26 June 2018)*	-	-
Mario Guido Demartini *(Resigned 1 August 2018)*	1,001	10,000
John Edward Penhallurick *(Resigned 23 May 2018)*	51,052	51,052

There were no other movement in directors shareholdings during the year

Note 20. Key management personnel disclosures

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

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

Note 21. Earnings per share

	2018	2017
	$	$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	869	9,110
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	800,013	800,013

Note 22. Events occurring after the reporting date

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

Note 23. Contingent liabilities and contingent assets

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

Note 24. Segment reporting

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

Note 25. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
Shop B7A/8 Gallbraith Park Drive	Shop B7A/8 Gallbraith Park Drive
Cannonvale QLD 4802	Cannonvale QLD 4802

Note 26. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in 1 year or less		Fixed interest rate maturing in Over 1 to 5 years		Fixed interest rate maturing in 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	-	-	-	-	-	-	-	-	942	23,754	Nil	Nil
Receivables	-	-	-	-	-	-	-	-	14,826	10,349	N/A	N/A
Financial liabilities												
Interest bearing liabilities	152,224	176,901	-	-	-	-	-	-	-	-	3.88	3.93
Payables	-	-	-	-	-	-	-	-	5,575	2,034	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%	(1,522)	(1,769)
Decrease in interest rate by 1%	1,522	1,769
Change in equity		
Increase in interest rate by 1%	(1,522)	(1,769)
Decrease in interest rate by 1%	1,522	1,769

Directors' declaration

In accordance with a resolution of the directors of Whitsunday 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.

Jeffrey James Law, Chairman

Signed on the 28th of August 2018.

Partners in success

Chartered Accountants

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Independent auditor's report to the members of Whitsunday Community Enterprises Limited

Report on the audit of the financial statements

Our opinion

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

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

What we have audited

Whitsunday Community Enterprises Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

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

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report so that it gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/home.aspx. This description forms part of our auditor's report.

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 28 August 2018

David Hutchings
Lead Auditor

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