Willaura/Lake Bolac
Financial Services Limited

ABN: 83 108 159 422

2018 Annual Report

Willaura/Lake Bolac
Community Bank® branches

Contents

Chairman's report

For year ending 30 June 2018

It gives me pleasure to present to you the Annual Report of Willaura/Lake Bolac Financial Services Limited, the franchisee company of Willaura/Lake Bolac **Community Bank**® Branch. This is the fourteenth Annual Report.

For the 2017/18 year, income exceeded expenditure by $37,849 before tax, or $27,441 after allowing for Company Taxation. This figure is below the corresponding amount for the previous year, which presented returns of $80,703 before tax and $58,510 after tax.

There were some major reasons for the decline. We spent most of the year without a permanent Manager in attendance. We had the services of a Relief Manager for a part of the year, a short-term Manager who had to resign for personal reasons, and finally a permanent Manager, Mrs Lynsey Deer, was appointed on 5 March 2018. Despite these changes, the staff were splendid in their efforts to maintain and improve business for our company, and we thank them sincerely. It has been the second year where the altered, but improved, trading hours have been in place, and we thank customers for their co-operation in this matter.

We have allocated $31,148 during 2017/18 to sponsorships and grants, of which $12,566 came from our Community Enterprise Foundation™ account. At the end of June, the Board placed $30,000 to the Community Enterprise Foundation™ account, which stands at a balance of $ 100,768 for future projects.

This action has a two-fold effect:

1. Taxation is saved on this amount.
2. It 'banks' a reserve for future community allocations, where-as a considerable portion could be consumed as a taxation payment.

I list the district projects that your company has supported in 2017/18:

2017			
August	SM&W Rovers FN Club	$1,500	2017 Sponsorship
	Willaura Golf Club	$200	Annual Tournament sponsorship
	MDNA	$280	Trophies & medallions
September	Streatham & Dist Historical Society	$200	Vintage Rally sponsorship
October	Lake Bolac & Dist Historical Society	$200	Historical plaques for town
	MDFL	$2,000	2017 Sponsorship
	Lake Bolac & Dist Bowling Club	$600	Corporate Event sponsorship
November	Lake Bolac Tennis Club	$200	Junior Tennis
December	Lake Bolac & Dist Kindergarten	$14	School banking program donation
	Lake Bolac College	$105	School banking program donation
	Willaura & Dist Kindergarten	$8	School banking program donation
	Willaura Primary School	$55	School banking program donation
	Subtotal	**$5,362**	

Chairman's report (continued)

2018			
February	Mininera & Dist Tennis Assoc	$300	Junior tennis trophies
	East Grampians Health Service	$1,000	Willaura Hospital Market
	Lake Bolac Cemetery Trust	$312	2017 Dividend donations
	Tatyoon Cemetery Trust	$312	2017 Dividend donations
	Wickliffe Cemetery Trust	$312	2017 Dividend donations
	Willaura Cemetery Trust	$312	2017 Dividend donations
	Woorndoo Cemetery Trust	$312	2017 Dividend donations
March	Lake Bolac & Dist Bowling Club	$60	Ladies pairs
	SM&W Rovers FN Club	$1,500	Annual sponsorship
	Maroona Primary School	$1,000	Art exhibition sponsorship
	Wickliffe/Lake Bolac FN Club	$1,500	Annual sponsorship
	Willaura & Dist Kindergarten	$1,200	Ipad's
May	Moyston Willaura FNC	$2,000	Annual Sponsorship
	Tatyoon FNC	$2,000	Annual Sponsorship
	Chatsworth Occasional Care	$3,300	Grant for new sandpit
	Wickliffe Lake Bolac FNC	$2,667	Grant for new play equipment
	Lake Bolac Kindergaten	$1,288	Grant for mud café
	Lake Bolac Music Club	$2,000	Grant for 2018 Production
	Willaura Develoment Group	$1,000	Grant for 2018 Production
	Willaura Memorial Hall	$911	Grant for new custom ladder
	Willaura Hospital Auxillary	$2,500	Grant for new hospital bed
	Subtotal	**$31,148**	

It is hoped that these allocations are used to leverage grants from Local, State and Federal Governments to achieve the maximum value for dollar spent. It is also incumbent on the groups to support our business, both at an organization and a personal level.

Our equity remains strong, the earnings per share in 2017/18 was 4.71 cents, after a somewhat disrupted year. It is noted that many franchised companies in Australia found 2017/18 a difficult year for trading at their expected level. With this result in mind, the Board is proud to announce a share-holder dividend of 5 cents per share, fully franked to our loyal shareholders.

We are very appreciative of the efforts of our staff during the year. Maree Michel was our Manager at the start of the year, after an extended period without a person in the Manager position. Maree, after a career with Rural Finance, was working well with staff and customers, but unfortunately, she had to resign in October. The position was vacant until 5 March 2018, when we were delighted to appoint the present Manager, Lynsey Deer, who has had vast experience in banking in South Australia.

Simone McDonald continues in the role of CRO part time, Lauren Givhan now works full time as a CSO, Suzanne Neumann has a two-year contract as CSO part-time and we have appointed Lia Slattery as a casual. A very happy and competent group. We have rewarded them with a new Enterprise Agreement which covers the next four years.

Chairman's report (continued)

One of our Directors, Colleen White, resigned during the year to take up new employment out of the district. We are very grateful for Colleen's wise counsel during the past eight years and wish her well in her new venture.

It is with great sadness that I report the passing of Colleen Peacock during the year. Colleen served on the Steering Committee and the Board until illness overtook her life. She remains a most respected person within our business and the community in general, and we pass our condolences to Geoff and his family.

We thank our Regional Staff for their guidance during the year and I, personally, thank our very skills-based Board for their input during the year. Again, we could not be successful without the loyal support of our customers. By providing banking locally, we are making our communities and their population more viable. We must always remember that no other Bank is prepared to locate in our rural areas. There is still a very large opportunity to increase our turnover, and it is hoped that we can all work together to achieve that result.

Colin R. McKenzie

Colin R McKenzie
Chairman

Manager's report

For year ending 30 June 2018

After starting with Willaura/Lake Bolac Financial Services Limited since March this year, I have been settling into my new role as Branch Manager with zest and passion! I have been well welcomed by the local community, which I am very grateful for. I have been very busy getting out and about and attending lots of community functions around the district and meeting many locals.

I join the company with almost 12 years of finance and banking experience in commercial, retail and agribusiness, as well as previous roles as the Business/Home Lending Officer and Branch Manager. I grew up in Port Lincoln, South Australia and I have mainly worked in the Eyre and Yorke Peninsulas before moving to Warrak. In my spare time I enjoy playing netball for Tatyoon FNC and spending time with my husband Ben and two young children Grace, six, and Jack, two.

Branch focus/business development

- Regaining the confidence of the community – we can do what the big four can do!
- Encouraging more community involvement with our team.
- Attending local events:
  - Willaura Market
  - WLBFNC Ball
  - Tatyoon Ball
  - Sheepvention
  - Willaura Pop Up Pub.
- Farm visits with all Rural Bank customers.
- Reconnecting with our Top 100 deposit and Top 50 loan customers.
- Establishing new Sponsor Partners.

Staff development

- I have gained Rural Bank Accreditation – which means that I can speak to our customers about Rural Bank products and process some loans.
- Lauren Givhan has been promoted to a Customer Relationship Officer, which will increase capability within the branch.
- I am working with Bendigo Bank to achieve my Dedicated Lending Authority (DLA) which will enable me to approve loans at branch.

What's next?

- Continue to work with our Sponsor Partners to generate new business.
- Encourage the team to become more involved in the community – for example attend AGM's, joint Barefoot Bowls.
- Closer relationship with Rural Bank and their customers.
- Creating new ways to connect with the community – for example a Women's Luncheon with guest speakers.

Manager's report (continued)

- Weekly coaching and catch ups with all staff so we continue to improve our customer service.
- Working with Bendigo Bank marketing to come up with relevant advertising campaigns.

I am honestly very excited about the next 12 months and what we will achieve. I would like to take time to thank the team, Simone McDonald, Lauren Givhan, Joanne Byron, Suzanne Neumann and Lia Slattery for all their hard work and willingness to try new ideas. They show their pride and love for what they do every day, and I am very lucky to have such a great team to work with.

I would also like to thank our Board for their support. It needs to be mentioned that they devote their time freely and are passionate about keeping community banking in Willaura and Lake Bolac.

Lynsey Deer
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:

Colin Robert McKenzie

Chairman

Occupation: Farmer

Qualifications, experience and expertise: Business operator, Chairman of Willaura/Lake Bolac Financial Services, Chair of Scots Uniting Church Lake Bolac. Member of Ararat Rural City Rating Strategy Group, involved in various sporting, cultural and community organisations.

Past directorships: Councillor and Deputy Mayor of Ararat Rural City Council

Special responsibilities: Chairman

Interests in shares: 15,001 Ordinary Shares

Lynette Joy Webster

Secretary

Occupation: Manager

Qualifications, experience and expertise: Diploma of Business (Accounting) - Swinburne Institute of Technology, Marketing Manager (Telecommunications), Centre Manager (Lake Bolac Information & Business Centre) - current. Local groups involved in; Lake Bolac Eel Festival, Wickliffe Lake Bolac FNC, Willaura Recreation Reserve and Friends of Lake Buninjon.

Special responsibilities: Secretary and Business Development Committee

Interests in shares: Nil

Rowland Woolcock Paterson

Director

Occupation: Company Director/Farmer

Qualifications, experience and expertise: Rowland is actively farming on the family farm and is Chairman and owner of ACE Radio Broadcasters Pty. Ltd., a regional Commercial Radio Network. An alternate Director of Commercial Radio Australia(CRA)and on the Regional Committee of CRA, is also a member of the Mininera CFA and the Willaura Hall Committee. Dip Farm Manager: Glenormiston.

Special responsibilities: Nil

Interest in shares: 5,000 Ordinary Shares

Directors' report (continued)

Directors (continued)

David Allan Hucker

Director

Occupation: Veterinary consultant

Qualifications, experience and expertise: David Hucker is currently the principal of Para-Tech Veterinary Services (Vic) and a director of Murrewa Pty Ltd, a family farming and grazing company. David holds a Bachelor of Veterinary Science degree with honours and is a member by examination of the Australian and New Zealand College of Veterinary Science. He has served a term as the National President of the Australian Sheep Veterinarians, a special interest group of the Australian Veterinary Association, and for nine years was that organisations representative on the Australian Veterinary Association's Policy Advisory Council. For the past 26 years he has been a member of the Board of the Lake Bolac Bush Nursing Centre and has been President for the past 20 years. He has also been a keen tennis player and has held office at both club and association level.

Special responsibilities: Nil

Interest in shares: 3,000 Ordinary shares

Jane Blackburn

Director

Occupation: Solicitor

Qualifications, experience and expertise: Senior Commercial Litigation and Employment lawyer, practicing for 10 years. Has a Bachelor of Law and Commerce. Involved in the local farming enterprise with family. Secretary of Lake Bolac & District Kindergarten.

Special responsibilities: Nil

Interest in shares: Nil

Lisa Wills

Director

Occupation: Primary Production

Qualifications, experience and expertise: Corporate management, strategic planning and project delivery. President, Skipton Kindergarten Committee.

Special responsibilities: Business Development Committee

Interest in shares: Nil

Davina Catherine Stacy

Director

Occupation: Commercial Manager - Gorst Rural Lake Bolac

Qualifications, experience and expertise: Current treasurer for Willaura Lake Bolac Financials Services Ltd, Treasurer for the Lake Bolac Bush Nursing Centre. Member of Rural Advisory Group – Rural Financial Counselling Services Wimmera South West, Member of CPA Australia. Previous employment with Rural Financial Counselling Service – Wimmera South West, Cogger Gurry Hamilton and RSM Bird Cameron in Moora WA. Davina is currently farming with husband Brian and two children at Wickliffe, running cropping and merino enterprises.

Special responsibilities: Treasurer and Business Development Committee

Interest in shares: Nil

Andrea Virginia Armytage

Director

Occupation: Farmer

Qualifications, experience and expertise: Bachelor of Laws, past occupation Solicitor form 2005 to 2012. Current Secretary of Upper Hopkins Land Management Group.

Special responsibilities: Nil

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Colleen Maree White

Director (Resigned 26 April 2018)

Occupation: Director SW Region, DELWP

Qualifications, experience and expertise: Advanced Diploma and Diploma Business Management. Advanced Diploma Human Resources. Experienced local government professional. Committee member of the Ararat Mothers Day Classic. Volunteer at Ararat Football Netball Club. Industrial Relation / Human Resources professional and Governance specialist.

Special responsibilities: Deputy Chair

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 Lyn Webster. Lyn was appointed to the position of secretary on 13 December 2012.

Lyn's current occupation is a manager and also holds a diploma of business.

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank**® services under management rights to operate franchised branches 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 $
27,441	58,510

Dividends

	Year ended 30 June 2018	
	Cents	$
Dividends paid in the year	6	34,975

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 18 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:

	Board Meetings Attended	
	Eligible	**Attended**
Colin Robert McKenzie	14	14
Lynette Joy Webster	14	12
Rowland Woolcock Paterson	14	12
David Allan Hucker	14	12
Jane Blackburn	14	10
Lisa Wills	14	13
Stacy Davina	14	12
Andrea Armytage	14	6
Colleen Maree White (Resigned 26 April 2018)	14	9

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*.

Directors' report (continued)

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 13.

Signed in accordance with a resolution of the board of directors at Willaura, Victoria on 7 September 2018.

Colin Robert McKenzie,
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 Willaura/Lake Bolac Financial Services Limited

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 7 September 2018

David Hutchings
Lead Auditor

Taxation | Audit | Business Services

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Financial statements

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

	Notes	2018 $	2017 $
Revenue from ordinary activities	4	450,487	511,307
Employee benefits expense		(205,597)	(186,918)
Charitable donations, sponsorship, advertising and promotion		(53,492)	(80,489)
Occupancy and associated costs		(24,366)	(26,531)
Systems costs		(30,721)	(31,488)
Depreciation and amortisation expense	5	(25,234)	(26,933)
General administration expenses		(73,228)	(78,245)
Profit before income tax expense		**37,849**	**80,703**
Income tax expense	6	(10,408)	(22,193)
Profit after income tax expense		**27,441**	**58,510**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**27,441**	**58,510**
Earnings per share		**¢**	**¢**
Basic earnings per share	21	4.71	10.04

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet
as at 30 June 2018

	Notes	2018 $	2017 $
ASSETS			
Current assets			
Cash and cash equivalents	7	332,876	334,274
Trade and other receivables	8	35,229	41,697
Current tax asset	11	10,071	-
Total current assets		**378,176**	**375,971**
Non-current assets			
Property, plant and equipment	9	107,362	76,786
Intangible assets	10	19,283	32,894
Deferred tax asset	11	-	1,315
Total non-current assets		**126,645**	**110,995**
Total assets		**504,821**	**486,966**
LIABILITIES			
Current liabilities			
Trade and other payables	12	48,310	13,938
Current tax liabilities	11	-	12,118
Provisions	12	10,979	10,848
Total current liabilities		**59,289**	**36,904**
Non-current liabilities			
Provisions	12	1,888	486
Deferred tax liabilities	11	1,602	-
Total non-current liabilities		**3,490**	**486**
Total liabilities		**62,779**	**37,390**
Net assets		**442,042**	**449,576**
EQUITY			
Issued capital	13	565,866	565,866
Accumulated losses	14	(123,824)	(116,290)
Total equity		**442,042**	**449,576**

The accompanying notes form part of these financial statements.

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

	Notes	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2016		565,866	(145,654)	420,212
Total comprehensive income for the year		-	58,510	58,510
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	19	-	(29,146)	(29,146)
Balance at 30 June 2017		**565,866**	**(116,290)**	**449,576**
Balance at 1 July 2017		565,866	(116,290)	449,576
Total comprehensive income for the year		-	27,441	27,441
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	19	-	(34,975)	(34,975)
Balance at 30 June 2018		**565,866**	**(123,824)**	**442,042**

The accompanying notes form part of these financial statements.

Financial statements *(continued)*

Statement of Cash Flows
for the year ended 30 June 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		486,623	550,585
Payments to suppliers and employees		(395,488)	(452,317)
Interest received		5,230	7,823
Income taxes paid		(29,680)	(7,399)
Net cash provided by operating activities	**15**	**66,685**	**98,692**
Cash flows from investing activities			
Payments for property, plant and equipment		(42,199)	-
Proceeds from sale of property, plan and equipment		9,091	-
Net cash used in investing activities		**(33,108)**	**-**
Cash flows from financing activities			
Dividends paid	19	(34,975)	(29,146)
Net cash used in financing activities		**(34,975)**	**(29,146)**
Net increase/(decrease) in cash held		**(1,398)**	**69,546**
Cash and cash equivalents at the beginning of the financial year		334,274	264,728
Cash and cash equivalents at the end of the financial year	**7(a)**	**332,876**	**334,274**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2018

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

None of these amendments to accounting standards issued by the AASB materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

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

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.

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

a) Basis of preparation *(continued)*

Application of new and amended accounting standards (continued)

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.

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating leases of its branches. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to $163,479, on an undiscounted basis (see Note 16).

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®** branches at Willaura and Lake Bolac, Victoria.

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

- design, layout and fit out of the **Community Bank®** branches
- 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.

Notes to the financial statements (continued)

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

b) Revenue

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

Revenue calculation

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

Margin is paid on all core banking products. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.

The company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products.

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

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.

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

b) Revenue *(continued)*

Discretionary financial contributions (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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

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

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.

Notes to the financial statements (continued)

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

c) Income tax *(continued)*

Deferred 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 entity expects, at the reporting date, to recover or settle the carrying amount of its assets and

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

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 - 40	years
- motor vehicle	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.

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.

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

k) Financial instruments *(continued)*

(iii) Available-for-sale financial assets (continued)
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 they 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.

Notes to the financial statements (continued)

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 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.

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.

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 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	288,276	339,193
- services commissions	89,292	106,707
- fee income	20,766	24,539
- market development fund	37,083	35,000
Total revenue from operating activities	435,417	505,439
Non-operating activities:		
- interest received	5,234	5,258
- other income	745	610
- profit on sale of motor vehicle	9,091	-
Total revenue from non-operating activities	15,070	5,868
Total revenues from ordinary activities	450,487	511,307

Notes to the financial statements (continued)

Note 5. Expenses	2018	2017
	$	$
Depreciation of non-current assets:		
- plant and equipment	2,197	2,197
- leasehold improvements	3,755	3,755
- motor vehicle	5,671	7,370
Amortisation of non-current assets:		
- franchise agreement	2,268	2,268
- franchise renewal fee	11,343	11,343
	25,234	26,933
Loss on disposal of asset	-	255

Note 6. Income tax expense

The components of tax expense comprise:		
- Current tax	7,491	22,518
- Movement in deferred tax	2,917	(325)
	10,408	22,193

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

Operating profit	37,849	80,703
Prima facie tax on loss from ordinary activities at 27.5% (2017: 27.5%)	10,408	22,193
Add tax effect of:		
- timing difference expenses	(417)	325
- other deductible expenses	(2,500)	-
	7,491	22,518
Movement in deferred tax	2,917	(325)
	10,408	22,193

Note 7. Cash and cash equivalents

Cash at bank and on hand	88,490	95,118
Term deposits	244,386	239,156
	332,876	334,274

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	88,490	95,118
Term deposits	244,386	239,156
	332,876	334,274

Notes to the financial statements (continued)

Note 8. Trade and other receivables	2018	2017
	$	$
Trade receivables	31,349	35,910
Prepayments	3,458	5,369
Other receivables and accruals	422	418
	35,229	41,697

Note 9. Property, plant and equipment		
Leasehold improvements		
At cost	113,515	113,515
Less accumulated depreciation	(57,890)	(54,135)
	55,625	59,380
Plant and equipment		
At cost	75,645	75,645
Less accumulated depreciation	(65,321)	(63,124)
	10,324	12,521
Motor vehicles		
At cost	42,199	29,478
Less accumulated depreciation	(786)	(24,593)
	41,413	4,885
Total written down amount	107,362	76,786

Movements in carrying amounts:

Leasehold improvements		
Carrying amount at beginning	59,380	63,135
Less: depreciation expense	(3,755)	(3,755)
Carrying amount at end	55,625	59,380
Plant and equipment		
Carrying amount at beginning	12,521	14,718
Less: depreciation expense	(2,197)	(2,197)
Carrying amount at end	10,324	12,521
Motor vehicles		
Carrying amount at beginning	4,885	12,255
Additions	42,199	-
Disposals	(4,885)	-
Less: depreciation expense	(786)	(7,370)
Carrying amount at end	41,413	4,885
Total written down amount	107,362	76,786

Notes to the financial statements (continued)

Note 10. Intangible assets	2018	2017
	$	$
Franchise fee		
At cost	82,554	82,554
Less: accumulated amortisation	(79,339)	(77,071)
	3,215	5,483
Renewal processing fee		
At cost	112,770	112,770
Less: accumulated amortisation	(96,702)	(85,359)
	16,068	27,411
Total written down amount	19,283	32,894

Note 11. Tax		
Current:		
Income tax payable/(refundable)	(10,071)	12,118
Non-Current:		
Deferred tax assets		
- accruals	770	715
- employee provisions	3,538	3,117
	4,308	3,832
Deferred tax liability		
- accruals	116	115
- property, plant and equipment	5,794	2,402
	5,910	2,517
Net deferred tax asset/(liability)	(1,602)	1,315
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	2,917	3,450

Note 12. Trade and other payables		
Current:		
Trade creditors	36,402	4,606
Other creditors and accruals	11,908	9,332
	48,310	13,938

Notes to the financial statements (continued)

Note 12. Provisions

	2018	2017
	$	$
Current:		
Provision for annual leave	7,701	7,887
Provision for long service leave	3,278	2,961
	10,979	10,848
Non-Current:		
Provision for long service leave	1,888	486

Note 13. Issued capital

582,912 ordinary shares fully paid (2017: 582,912)	582,912	582,912
Less: equity raising expenses	(17,046)	(17,046)
	565,866	565,866

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*.

Note 13. 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 14. Accumulated losses

	2018 $	2017 $
Balance at the beginning of the financial year	(116,290)	(145,654)
Net profit from ordinary activities after income tax	27,441	58,510
Dividends provided for or paid	(34,975)	(29,146)
Balance at the end of the financial year	(123,824)	(116,290)

Note 15. 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	27,441	58,510
Non cash items:		
- depreciation	11,623	13,322
- amortisation	13,611	13,611
- loss on disposal of asset	(9,091)	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	6,468	2,550
- (increase)/decrease in other assets	(8,756)	2,676
- increase/(decrease) in payables	34,372	(887)
- increase/(decrease) in provisions	1,533	(3,207)
- increase/(decrease) in current tax liabilities	(10,516)	12,117
Net cash flows provided by operating activities	66,685	98,692

Notes to the financial statements (continued)

Note 16. 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	14,742	14,742
- between 12 months and 5 years	58,531	17,199
- greater than 5 years	90,206	-
	163,479	31,941

The business premises and ATM leases are non-cancellable leases with five-year terms, with rent payable monthly in advance. The option to renew the lease for a third five year term was exercised in 2014 for Willaura and Lake Bolac for a term of 15 years.

Note 17. Auditor's remuneration		
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,400	4,200
- non audit services	3,650	2,780
	8,050	6,980

Note 18. Director and related party disclosures

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

Colin Robert McKenzie
Lynette Joy Webster
Rowland Paterson
David Allan Hucker
Jane Blackburn
Lisa Wills
Stacy Davina
Andrea Armytage
Colleen Maree White *(Resigned 26 April 2018)*

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:

Rowland Paterson provided advertising on commercial radio during the year.	2,034	2,421
Lyn Webster as Manager of Lake Bolac Information & Business Centre received payments for its rent from Willaura/Lake Bolac FSL.	16,091	16,091

Notes to the financial statements (continued)

Note 18. Director and related party disclosures *(continued)*

Directors Shareholdings	2018	2017
Colin Robert McKenzie	15,001	15,001
Lynette Joy Webster	-	-
Rowland Paterson	5,000	5,000
David Allan Hucker	3,000	3,000
Jane Blackburn	-	-
Lisa Wills	-	-
Stacy Davina	-	-
Andrea Armytage	-	-
Colleen Maree White *(Resigned 26 April 2018)*	-	-

There was no movement in directors shareholdings during the year.

Note 19. Dividends provided for or paid

	2018 $	2017 $
a. Dividends paid during the year		
Current year dividend 100% (2017: 100%) franked dividend - 6 cents (2017: 5 cents) per share	34,975	29,146

The tax rate at which dividends have been franked is 27.5% (2017: 27.5%).

b. Franking account balance

	2018	2017
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	26,398	9,984
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	(10,071)	12,118
Franking credits available for future financial reporting periods:	16,327	22,102
Net franking credits available	16,327	22,102

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	27,441	58,510
		Number	Number
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	582,912	582,912

Notes to the financial statements (continued)

Note 22. Events occurring after the reporting date

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

Note 23. Contingent liabilities and contingent assets

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

Note 24. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Willaura and Lake Bolac, Victoria 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
70 Main Street	70 Main Street
WILLAURA VIC 3379	WILLAURA VIC 3379

Notes to the financial statements (continued)

Note 26. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 %	2017 %
Financial assets												
Cash and cash equivalents	88,490	95,118	244,386	239,156	-	-	-	-	-	-	2.46	2.65
Receivables	-	-	-	-	-	-	-	-	31,349	35,910	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	36,402	4,606	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%	3,329	3,343
Decrease in interest rate by 1%	(3,329)	(3,343)
Change in equity		
Increase in interest rate by 1%	3,329	3,343
Decrease in interest rate by 1%	(3,329)	(3,343)

Directors' declaration

In accordance with a resolution of the directors of Willaura/Lake Bolac Financial Services Limited, we state that:

In the opinion of the directors:

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

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

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

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

(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.

Colin R McKenzie

Colin Robert McKenzie, Chairman

Signed on the 7th 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 Willaura/Lake Bolac Financial Services Limited

Report on the audit of the financial statements

Our opinion
In our opinion, the financial report of Willaura/Lake Bolac Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

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

What we have audited
Willaura/Lake Bolac Financial Services Limited's (the company) financial report comprises the:

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

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

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

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

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

Independent audit report (continued)

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 7 September 2018

David Hutchings
Lead Auditor

Willaura/Lake Bolac **Community Bank**® Branch

70 Main Street, Willaura VIC 3379
Phone: (03) 5354 1170
www.bendigobank.com.au/willaura

2110 Glenelg Highway, Lake Bolac VIC 3351
Phone: (03) 5350 2374
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Franchisee: Willaura/Lake Bolac Financial Services Limited
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