

# Annual Report 2018

Woombye & Districts Community  
Enterprises Limited

ABN 44 133 561 289

Woombye & Districts **Community Bank**<sup>®</sup> Branch

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# Chairman's report

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For year ending 30 June 2018

## Financials

Last year our before tax profit was \$44,548, lowered to \$32,298 after provisioning for prior tax losses.

This year our before tax profit is \$85,851, lowered to \$62,966 after provisioning for tax losses.

We are following up last year's maiden dividend, 4 cents per share, nil franking, with a further four cents per share dividend, nil franking, for this year, to be paid Monday, December 12, 2018. Surplus funds from this year's increased profit will be applied to pay down debt.

## Staff

Our manager Hayley Saunders, working with an enthusiastic front office team, have worked hard in a competitive and tightening market to increase our total footings from \$74.1 million to \$77.2 million.

Our Customer Service Officer, Mark, transferred during the year to a branch closer to home; his replacement Briony has taken up the reins extremely well, and is ably supported by Leanne and Michael behind the counter. Your directors pay tribute to the team for our improving results.

Sincere thanks again to our bookkeeper and general administrative helper, Mr. Hugh Williams, and Mr. Ian Williams, our community connection and marketing consultant (no relation to Hugh), for their commitment and professionalism.

## Community

A key driver for the **Community Bank** model is to be a source of encouragement to the community by way of Grants and Sponsorship. Since inception and to June 30, 2018, our total contributions have totalled more than \$130,000.

Woombye State School, Woombye Community Library, Woombye Bowls Club, Woombye Men's Shed, Woombye Day Care, Woombye Christmas on the Field, Nambour/Palmwoods Toads Rugby Union Club, and Sunshine Linus have all been beneficiaries.

## Our location, our customers, and our shareholders

Nothing has changed. These key drivers are responsible for over 50% of new business network wide, and an even higher percentage for your bank. We encourage you to advocate for your Woombye and Districts **Community Bank®** branch!

## Directors

Your board, volunteers to the role, have diligently met for monthly Committee meetings, board meetings, and strategic planning meetings. Thank you to the team, past and present!

We continue to focus on growing our revenue, diligently reviewing costs, and delivering on further increasing our profitability.



**Stephen Marshall**  
**Chairman**

**Woombye and Districts Community Enterprises Ltd.**

# Manager's report

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For year ending 30 June 2018

And just like that it is time to look back and reflect on another financial year. There is no doubt that last year's theme of recurring change continued to be felt this year.

Our Customer Relationship Officer, Mark Gielis was promoted and moved to a branch closer to home (and the ocean). He was replaced by Briony Stephenson. Briony was previously working at our Maroochydore branch and she has ably stepped into the role and is enjoying the community involvement that comes with a **Community Bank®** Branch.

Leanne Foale and Michael MacDonald continue to welcome our customers as they walk in the door and assist with all banking transactions.

At a higher level, after nine years at the helm, our Managing Director Mike Hirst retired, and Marnie Baker was appointed as his replacement. Marnie commenced as Managing Director in July and brings with her a depth of experience in leadership roles across the bank gained over the past 30 years.

Marnie has set a challenge for all staff to do all we can to make Bendigo Bank the bank of choice for all Australians.

In July, we were named Number 1 Most Trusted Bank in Australia according to the Roy Morgan Net Trust Score Survey. This survey measures trust and distrust scores of a company and comes up with a net result. It would be no surprise to most people that banking is the category with the highest distrust score, so you can imagine how pleasing it was for us to see Bendigo Bank listed as the most trusted bank in the country – and the only bank in the top 10.

We won awards in several categories in the Mozo People's Choice Awards for 2018, including staff friendliness, outstanding customer satisfaction, most recommended, highly trusted and customer satisfaction with Credit Cards, in short, we continue to make people happy.

On September 2017 we were ranked as number 13, and the top Australian company, in the FORTUNE Annual "Change the World" list of companies that are "Doing Well by Doing Good". This list ranks enterprises that have made an important social or environmental impact through their operations, and was a great recognition of our business model.

In 2018, we celebrated the 20th anniversary of our pioneering **Community Bank®** model and we have now delivered more than \$183 million back into local communities. Last year the network returned \$5.5 million in shareholder dividends, employed over 1,500 people and spent over \$100 million in wages and local services. It's great to know that **Woombye Community Bank®** branch continues to play a part in this achievement.

I'd like to say thank you to all our staff, customers, board members, shareholders and advocates who continue to support us in our efforts to be "**Australia's Bank of Choice**".



**Hayley Saunders**  
**Senior Branch Manager**  
**Woombye & Districts Community Bank ® Branch**

# Directors' report

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For year ending 30 June 2018.

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

## Directors

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

### **Stephen James Marshall**

Chairman

Director

Occupation: Retired

Qualifications, experience and expertise: Fellow Certified Practising Accountant (F CPA) Professional Diploma in Stockbroking Associate Chartered Institute of Secretaries (ACIS) — let lapse. Stephen retired from active corporate life in 2015 but is active in personal property investment, and not-for-profits in Community banking, Christian schooling and Christian mission. Past experience in not-for-profits includes 22 years in community radio and church boards. Stephen is Fiji-born, schooled in Sydney. He joined CSR Ltd in 1964, Connellan Airways/Connair in 1971, where he became general manager, set out on his own in 1980, consulting to business and government, and pioneered aboriginal cultural tourism before moving to the Sunshine Coast in 1989. Stephen was business manager at Immanuel Lutheran College Maroochydore and senior client adviser/manager Ord Minnett, Stockbrokers, Buderim from 1994 - 2015 until he retired. Stephen is married to Annette and they have three adult children.

Special responsibilities: Finance Committee and Marketing Committee

Interest in shares: 2,000 (jointly held with spouse)

### **Richard John Cooper**

Director

Occupation: Retired

Qualifications, experience and expertise: Rick and his family have lived on the Sunshine Coast since 1990. He was previously a cost accountant at QANTAS, then a senior executive in Australia's largest computer services company. He was the founding President of the Tewantin Community Association, chairing the committee to establish a Community Bank in Tewantin. He is currently Chairman of Sunshine Coast Community Financial Services Ltd and chairs the Bendigo Community Bank Sunshine Coast Collaborative Marketing Committee. He is a past Chair of the Noosa Community Tourism Board, past deputy Chair of Tourism Noosa, and a past member of various Council working groups including the Transport Reference Group, the Tewantin Masterplan Committee, and the Noosa Council Strategic Reference Group. He was principal of the award winning Elders Real Estate business in Tewantin and served on the Elders Queensland Marketing Committee for five years.

Other current directorships: Director of Sunshine Coast Community Finance Services LTD

Special responsibilities: Marketing Committee.

Interest in shares: Nil

### **Damien Charles King**

Treasurer

Occupation: Pharmacist

Qualifications, experience and expertise: Damien was born in Nambour and raised on the Sunshine Coast. He has been a pharmacist for over 20 years and in that time worked around Brisbane, in the UK and Ireland. He moved back to the Sunshine coast when he purchased a pharmacy in Woombye in 2004. Damien has been heavily involved in the Woombye community and has been treasurer of the Woombye Community Business Association until recently. He holds a Bachelor of Pharmacy, a Masters of Business Administration from the University of Queensland and is a Graduate of the Australian Institute of Company Directors.

Special responsibilities: Finance Committee

Interest in shares: 12,500

# Directors' Report (continued)

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## Directors (continued)

### **Alison Rosann Kruger**

Secretary

Occupation: Interior Design

Qualifications, experience and expertise: Alison is a local business owner and has been involved with the **Community Bank®** from steering committee and has served as both Chair and Secretary since the opening in 2009. She continues to manage her interior design business which was established 21 years ago in Woombye. Previously Alison has held positions with the local community and Business associations.

Special responsibilities: Finance Committee and Marketing Committee and Asset Committee.

Interest in shares: 5001

### **Ian Malcolm Kerr**

Director

Occupation: Retired Primary School Teacher

Qualifications, experience and expertise: Ian is a retired primary teacher who completed his Certificate of Teaching in 1970. While retired officially from teaching Ian continues to teach on relief basis occasionally. He is the Chairperson of the Woombye/Palmwoods Chaplaincy Committee, Chairperson of the Nambour Uniting Church Council, and is a regular volunteer at Woombye State School teaching Religious Instructions, Mentor and Tutor in the School Shed Group.

Special responsibilities: Marketing Committee

Interest in shares: 6,001

### **Raymond Stanley Grace**

Director

Occupation: Retired

Qualifications, experience and expertise: Ray was born in Boonah where he studied to become a motor mechanic before moving to Nambour in 1959. Ray commenced his career buying into a service station, from there Ray progressed into the motor vehicle industry purchasing a substantial new and used car dealership from where he managed the day to day running of his successful business. Ray owned his business until 1995, at which time Ray moved into semi-retirement due to ill health. Ray's community involvement became as important as his business life. Its community activities include Apex for 17 years, achieving Life Membership, Rotary, Sunshine Coast Show Society for 32 years and Maroochy Aero Club for 25 years also achieving Life membership. Ray is currently Chairman and Founder of 'Power of the Hour', a 'not for profit' foundation which is totally and everlastingly committed to raising essential funding for the Energex Helicopter Rescue Services operating in the South East region of Queensland. Ray was also a Board Member of Sundale Garden Village Nursing Home from 1965-1983 and President of the Nambour Chamber of Commerce for 10 years.

Special responsibilities: Chairman of Steering Committee

Interest in shares: 20,001

### **Leigh Gregory Watkins**

Director

Occupation: Director

Qualifications, experience and expertise: Director of Blackall Range Care Ltd (May 2017 - Present), Director, Chairman of Bendigo Primary Care Centre Limited for the past 5 years. Community Enterprise Foundation Manager with responsibility for foundation activities in metro Melbourne and Queensland for Bendigo and Adelaide Bank from May 2012 to March 2016. Past Director and Chairman of the Central Victorian Solar Cities project for Sustainable Regional Australia from March 2005 to July 2014. Director, Chairman for Bendigo Community Health Services from October 2003 to November 2013. Manager Innovation and Implementation for Bendigo and Adelaide Bank from 2001 to April 2012 and Customer Consultative Committee member for Essential Services Commission from March 2002 to May 2009. Super speedway driving instructor, Nascar and Auscar race driver 1998/99 Australian Auscar champion winner — FastTrack Racing from March 1995 to March 2009. Principal Technical Officer for Telstra for 26 years responsible for training and development in regional Victoria, total quality management project, technical specialist electronic exchange installation and maintenance.

Other current directorships: Blackall Range Care Ltd and Bendigo Primary Care Centre Limited.

Special responsibilities: Risk and Audit Committee, Marketing Committee

Interest in shares: Nil

# Directors' Report (continued)

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## Directors (continued)

### **Natalie Louise Hayward**

Director (Resigned 30 May 2018)

Occupation: Registered Nurse

Qualifications, experience and expertise: Natalie is a registered nurse and care coordinator at Woombye Care, a community based aged care facility. She holds a Bachelor of Nursing.

Special responsibilities: Marketing Committee

Interest in shares: Nil

### **Courtney Sarah Joan Lambert**

Director (Resigned 12 February 2018)

Occupation: Student

Qualifications, experience and expertise: Is currently studying for a Law degree and has extensive experience in conveyancing and paralegal matters.

Special responsibilities: Marketing Committee

Interest in shares: Nil

### **Jennifer Marian McKay**

Director (Resigned 31 January 2018)

Occupation: Councillor

Qualifications, experience and expertise: Jenny was elected as Divisional councillor in the Maroochy Shire Council in 2000. Jenny has continued in that role until today. Jenny holds the portfolio posting of Community Service, Environment and International Relations, JP Qual, completed the Company Directors Course. 22 years' service in Admin with Queensland Police Services. 5 Years Education Queensland. Born in Nambour, lived locally all her life, strong ties to the community organisation holding the position of chairperson, patron on many 'not for profit' boards and is also an executive member on steering committees, through the Local community of Queensland.

Special responsibilities: Marketing Committee

Interest in shares: 5,001

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 Alison Kruger. Alison was appointed to the position of Secretary on 27 January 2016. Alison was previously the Chairman of Woombye and Districts Community Enterprises Limited. Alison has extensive experience in conducting the compliance requirements of a company.

## Principal Activities

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

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

## Operating results

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

Year ended 30 June 2018	Year ended 30 June 2017
\$	\$
62,966	32,298

# Directors' Report (continued)

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## Dividends

Dividends paid in the year

Year ended 30 June 2018	
cents	\$
4	27,972

## Significant changes in the state of affairs

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

## Events since the end of the financial year

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

## Likely developments

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

## Environmental regulation

The company is not subject to any significant environmental regulation.

## Directors' benefits

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

## Indemnification and insurance of directors and officers

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

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



# Directors' Report (continued)

## Directors' meetings

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

	Board Meetings Attended		Sub-Committee Meetings Attended			
			Finance & Governance		Marketing	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Stephen James Marshall	12	10	7	6	9	8
Richard John Cooper	12	11	7	3	9	4
Damien Charles King	12	9	7	5	-	-
Alison Rosann Kruger	12	11	7	4	9	7
Ian Malcolm Kerr	12	9	-	-	9	7
Raymond Stanley Grace	12	3	-	-	9	1
Leigh Gregory Watkins	12	11	7	5	9	8
Natalie Louise Hayward <sup>1</sup>	10	4	-	-	8	1
Courtney Sarah Joan Lambert <sup>2</sup>	6	1	-	-	6	1
Jennifer Marian McKay <sup>3</sup>	6	3	-	-	6	3

1 - Resigned 30 May 2018

2 - Resigned 12 February 2018

3 - Resigned 31 January 2018

## 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, in accordance with the advice received from the finance committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

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

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

## Auditor'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 33.

Signed in accordance with a resolution of the board of directors at Woombye, Queensland on 8 August 2018.



**Stephen James Marshall**  
Chairman

# Auditor's Independence Declaration

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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 Woombye & Districts Community Enterprises Limited

As lead auditor for the audit of Woombye & Districts 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.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated: 8 August 2018

A handwritten signature in black ink, appearing to read 'David Hutchings'.

**David Hutchings**  
Lead Auditor

# 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	584,968	542,372
Employee benefits expense		(209,825)	(210,716)
Charitable donations, sponsorship, advertising and promotion		(56,864)	(62,233)
Occupancy and associated costs		(75,909)	(71,541)
Systems costs		(20,232)	(20,271)
Depreciation and amortisation expense	5	(22,643)	(22,284)
Finance costs	5	(8,672)	(11,556)
General administration expenses		(104,972)	(99,223)
<b>Profit before income tax expense</b>		<b>85,851</b>	<b>44,548</b>
Income tax expense	6	(23,698)	(12,250)
<b>Profit after income tax expense</b>		<b>62,153</b>	<b>32,298</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>62,153</b>	<b>32,298</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
Basic earnings per share	22	8.89	4.62

# Financial Statements (continued)

## Balance Sheet as at 30 June 2018

	Notes	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	9,353	500
Trade and other receivables	8	21,046	30,985
<b>Total current assets</b>		<b>30,399</b>	<b>31,485</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	81,052	87,411
Intangible assets	10	10,307	24,049
Deferred tax asset	11	200,268	223,966
Total non-current assets		291,627	335,426
<b>Total assets</b>		<b>322,026</b>	<b>366,911</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	29,488	37,293
Borrowings	13	204,593	275,854
<b>Total current liabilities</b>		<b>234,081</b>	<b>313,147</b>
<b>Total liabilities</b>		<b>234,081</b>	<b>313,147</b>
<b>Net assets</b>		<b>87,945</b>	<b>53,764</b>
<b>EQUITY</b>			
Issued capital	14	666,842	666,842
Accumulated losses	15	(578,897)	(613,078)
<b>Total equity</b>		<b>87,945</b>	<b>53,764</b>

# Financial Statements (continued)

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

	Notes	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016		666,842	(645,376)	21,466
Total comprehensive income for the year		-	32,298	32,298
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid		-	-	-
<b>Balance at 30 June 2017</b>		<b>666,842</b>	<b>(613,078)</b>	<b>53,764</b>
<b>Balance at 1 July 2017</b>		<b>666,842</b>	<b>(613,078)</b>	<b>53,764</b>
Total comprehensive income for the year		-	62,153	62,153
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	20	-	(27,972)	(27,972)
<b>Balance at 30 June 2018</b>		<b>666,842</b>	<b>(578,897)</b>	<b>87,945</b>

# Financial Statements (continued)

## Statement of Cash Flows for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		653,658	598,224
Payments to suppliers and employees		(520,396)	(517,400)
Interest paid		(8,672)	(11,556)
<b>Net cash provided by operating activities</b>	<b>16</b>	<b>124,590</b>	<b>69,268</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(2,541)	(1,720)
Payments for intangible assets		(13,963)	(13,963)
<b>Net cash used in investing activities</b>		<b>(16,504)</b>	<b>(15,683)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	20	(27,972)	-
<b>Net cash used in financing activities</b>		<b>(27,972)</b>	<b>-</b>
<b>Net increase in cash held</b>		<b>80,114</b>	<b>53,585</b>
Cash and cash equivalents at the beginning of the financial year		(275,354)	(328,939)
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<b>(195,240)</b>	<b>(275,354)</b>

# Notes to the financial statements

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For the year ended 30 June 2018

## Note 1. Summary of significant accounting policies

### **a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards 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.

# Notes to the financial statements (continued)

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## 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 \$46,636, on an undiscounted basis (see Note 17).

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

Only AASB 16 Leases, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. This revised standard will require the branch lease to be capitalised.

#### 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 Woombye, 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:

- 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.



# Notes to the financial statements (continued)

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## 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.

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.

# Notes to the financial statements (continued)

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

### b) Revenue (continued)

#### Ability to change financial return

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

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

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

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

#### Monitoring and changing financial return

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

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

### c) Income tax

#### Current tax

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

#### Deferred tax

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

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

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

# Notes to the financial statements (continued)

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

### c) Income tax (continued)

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

#### Current and deferred tax for the period

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

### d) Employee entitlements

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

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

### e) Cash and cash equivalents

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

### f) Trade receivables and payables

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

### g) Property, plant and equipment

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

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

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

- leasehold improvements                      5 - 15      years
- plant and equipment                          2.5 - 40    years

### h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

# Notes to the financial statements (continued)

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

### **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) 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 or 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.

# Notes to the financial statements (continued)

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

### **n) Issued capital**

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

### **o) Earnings per share**

Basic earnings per share 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.

### **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.

# Notes to the financial statements (continued)

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## Note 2. Financial risk management (continued)

### (vi) Capital management

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

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

## Note 3. Critical accounting estimates and judgements

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

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

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

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

### Taxation

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

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

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.

# Notes to the financial statements (continued)

## 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 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 \$
<b>Operating activities:</b>		
- gross margin	395,121	345,107
- services commissions	63,265	69,739
- fee income	32,526	32,188
- ATM income	50,906	50,038
- market development fund	36,250	37,500
<b>Total revenue from operating activities</b>	<b>578,068</b>	<b>534,572</b>
<b>Non-operating activities:</b>		
- rental revenue	6,900	7,800
<b>Total revenue from non-operating activities</b>	<b>6,900</b>	<b>7,800</b>
<b>Total revenues from ordinary activities</b>	<b>584,968</b>	<b>542,372</b>

# Notes to the financial statements (continued)

## Note 5. Expenses

	2018 \$	2017 \$
<b>Depreciation of non-current assets:</b>		
- plant and equipment	1,963	1,604
- leasehold improvements	6,937	6,937
<b>Amortisation of non-current assets:</b>		
- franchise agreement	2,290	2,290
- franchise renewal fee	11,453	11,453
	<b>22,643</b>	<b>22,284</b>
<b>Finance costs:</b>		
- interest paid	8,672	11,556
<b>Bad debts</b>	<b>489</b>	<b>97</b>

## Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	-	-
- Movement in deferred tax	813	1,678
- Recoupment of prior year tax losses	22,885	10,572
	<b>23,698</b>	<b>12,250</b>
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit	85,851	44,548
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	23,609	12,250
Add tax effect of:		
- non-deductible expenses	89	-
- timing difference expenses	(813)	(1,678)
- other deductible expenses	-	-
	<b>22,885</b>	<b>10,572</b>
Movement in deferred tax	813	1,678
	<b>23,698</b>	<b>12,250</b>



# Notes to the financial statements (continued)

## Note 7. Cash and cash equivalents

	Notes	2018 \$	2017 \$
<b>Cash at bank and on hand</b>		<b>9,353</b>	<b>500</b>
<b>Note 7.(a) Reconciliation to cash flow statement</b>			
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		9,353	500
Bank overdraft	13	(204,593)	(275,854)
		<b>(195,240)</b>	<b>(275,354)</b>

## Note 8. Trade and other receivables

Trade receivables		16,382	27,285
Prepayments		4,664	3,700
		<b>21,046</b>	<b>30,985</b>

## Note 9. Property, plant and equipment

<b>Leasehold improvements</b>			
At cost		158,787	158,787
Less accumulated depreciation		(94,709)	(87,772)
		<b>64,078</b>	<b>71,015</b>
<b>Plant and equipment</b>			
At cost		64,882	62,340
Less accumulated depreciation		(47,908)	(45,944)
		<b>16,974</b>	<b>16,396</b>
<b>Total written down amount</b>		<b>81,052</b>	<b>87,411</b>
<b>Movements in carrying amounts:</b>			
<b>Leasehold improvements</b>			
Carrying amount at beginning		71,015	77,952
Additions		-	-
Disposals		-	-
Less: depreciation expense		(6,937)	(6,937)
<b>Carrying amount at end</b>		<b>64,078</b>	<b>71,015</b>
<b>Plant and equipment</b>			
Carrying amount at beginning		16,396	16,280
Additions		2,541	1,720
Disposals		-	-
Less: depreciation expense		(1,963)	(1,604)
<b>Carrying amount at end</b>		<b>16,974</b>	<b>16,396</b>
<b>Total written down amount</b>		<b>81,052</b>	<b>87,411</b>

# Notes to the financial statements (continued)

## Note 10. Intangible assets

	2018 \$	2017 \$
<b>Franchise fee</b>		
At cost	21,453	21,453
Less: accumulated amortisation	(19,735)	(17,445)
	<b>1,718</b>	<b>4,008</b>
<b>Renewal processing fee</b>		
At cost	57,260	57,260
Less: accumulated amortisation	(48,671)	(37,219)
	<b>8,589</b>	<b>20,041</b>
<b>Total written down amount</b>	<b>10,307</b>	<b>24,049</b>

## Note 11. Tax

### Non-Current:

<b>Deferred tax assets</b>		
- accruals	925	953
- tax losses carried forward	206,339	229,224
	<b>207,264</b>	<b>230,177</b>
<b>Deferred tax liability</b>		
- property, plant and equipment	6,996	6,211
- deductible prepayments	-	-
	<b>6,996</b>	<b>6,211</b>
<b>Net deferred tax asset</b>	<b>200,268</b>	<b>223,966</b>
<b>Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income</b>	<b>23,698</b>	<b>9,209</b>

## Note 12. Trade and other payables

### Current:

Trade creditors	10,185	6,524
Other creditors and accruals	19,303	30,769
	<b>29,488</b>	<b>37,293</b>

# Notes to the financial statements (continued)

## Note 13. Borrowings

	2018 \$	2017 \$
<b>Current:</b>		
<b>Bank overdrafts</b>	<b>20,4593</b>	<b>27,5854</b>
The bank has an approved overdraft facility of \$370,000 from Bendigo and Adelaide Bank Limited. Interest is recognised as a variable rate, 90 day RBA bill rate, which is currently at 3.795% p.a, varying from time to time and debited monthly. The overdraft is secured by a fixed and floating charge over the company's assets.		

## Note 14. Issued capital

699,310 ordinary shares fully paid (2017: 699,310)	699,310	699,310
Less: equity raising expenses	(32,468)	(32,468)
	<b>666,842</b>	<b>666,842</b>

### 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.

### 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").

# Notes to the financial statements (continued)

## Note 14. Issued capital (continued)

- 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 178. As at the date of this report, the company had 202 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	(613,078)	(645,376)
Net profit from ordinary activities after income tax	62,153	32,298
Dividends provided for or paid	(27,972)	-
<b>Balance at the end of the financial year</b>	<b>(578,897)</b>	<b>(613,078)</b>

## Note 16. Statement of cash flows

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

Profit from ordinary activities after income tax	62,153	32,298
<b>Non cash items:</b>		
- depreciation	8,900	8,541
- amortisation	13,743	13,743
<b>Changes in assets and liabilities:</b>		
- (increase)/decrease in receivables	9,939	2,606
- (increase)/decrease in other assets	23,698	12,250
- increase/(decrease) in payables	6,157	(170)
<b>Net cash flows provided by operating activities</b>	<b>124,590</b>	<b>69,268</b>

# Notes to the financial statements (continued)

## Note 17. Leases

	2018 \$	2017 \$
<b>Operating lease commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
<b>Payable - minimum lease payments:</b>		
- not later than 12 months	46,636	60,000
- between 12 months and 5 years	-	45,000
- greater than 5 years	-	-
	<b>46,636</b>	<b>105,000</b>

## 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	5,432	1,885
- non audit services	2,000	1,960
	<b>11,832</b>	<b>8,045</b>

## Note 19. Director and related party disclosures

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

Stephen James Marshall

Richard John Cooper

Damien Charles King

Alison Rosann Kruger

Ian Malcolm Kerr

Raymond Stanley Grace

Leigh Gregory Watkins

Natalie Louise Hayward (Resigned 30 May 2018)

Courtney Sarah Joan Lambert (Resigned 12 February 2018)

Jennifer Marian McKay (Resigned 31 January 2018)

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

# Notes to the financial statements (continued)

## Note 19. Director and related party disclosures (continued)

### Directors' shareholdings

	2018	2017
Stephen James Marshall	2,000	2,000
Richard John Cooper	-	-
Damien Charles King	12,500	12,500
Alison Rosann Kruger	5,001	5,001
Ian Malcolm Kerr	6,001	6,001
Raymond Stanley Grace	20,001	20,001
Leigh Gregory Watkins	-	-
Natalie Louise Hayward (Resigned 30 May 2018)	-	-
Courtney Sarah Joan Lambert (Resigned 12 February 2018)	5,001	5,001
Jennifer Marian McKay (Resigned 31 January 2018)	-	-

## Note 20. Dividends provided for or paid

	2018 \$	2017 \$
<b>a. Dividends paid during the year</b>		
Current year dividend		
Unfranked dividend - 4 cents (2017: Nil cents) per share	27,972	

## Note 21. Key management personnel disclosures

The directors received remuneration including superannuation, as follows:

Stephen James Marshall	-	-
Richard John Cooper	2,500	2,500
Damien Charles King	-	-
Alison Rosann Kruger	-	-
Ian Malcolm Kerr	-	-
Raymond Stanley Grace	-	-
Leigh Gregory Watkins	-	-
Natalie Louise Hayward (Resigned 30 May 2018)	-	-
Courtney Sarah Joan Lambert (Resigned 12 February 2018)	-	-
Jennifer Marian McKay (Resigned 31 January 2018)	-	-
	<b>2,500</b>	

# Notes to the financial statements (continued)

## Note 22. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	\$32,298	\$(7,036)
	<b>Number</b>	<b>Number</b>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	699,310	699,310

## Note 23. Events occurring after the reporting date

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

## Note 24. Contingent liabilities and contingent assets

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

## Note 25. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Woombye,

## Note 26. Registered office/Principal place of business

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

<b>Registered Office</b>	<b>Principal Place of Business</b>
1A/33 Blackall Street	1A/33 Blackall Street
Woombye QLD 4559	Woombye QLD 4559

## Note 27. Financial instruments

### Financial Instrument Composition and Maturity Analysis

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

Financial Instrument	Floating Interest		Fixed interest rate maturing in						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	-	-	-	-	-	-	-	-	9,353	500	Nil	Nil
Receivables	-	-	-	-	-	-	-	-	16,382	27,285	N/A	N/A
Financial liabilities												
Interest bearing liabilities	204,593	275,854	-	-	-	-	-	-	-	-	3.88	3.86
Payables	-	-	-	-	-	-	-	-	10,185	6,524	N/A	N/A

# Notes to the financial statements (continued)

## Note 27. Financial instruments (continued)

### Net Fair Values

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

### Credit Risk

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

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

### Interest Rate Risk

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

### Sensitivity Analysis

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

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

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Change in profit/(loss)</b>		
Increase in interest rate by 1%	(2,046)	(2,759)
Decrease in interest rate by 1%	(2,046)	(2,759)
<b>Change in equity</b>		
Increase in interest rate by 1%	(2,046)	(2,759)
Decrease in interest rate by 1%	(2,046)	(2,759)



# Director's declaration

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In accordance with a resolution of the directors of Woombye & Districts 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.



**Stephen Marshall**  
**Chairman**

Signed on the 8th August 2018

# Independent audit report

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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 Woombye & Districts Community Enterprises Limited

### Report on the audit of the financial statements

#### Our opinion

In our opinion, the financial report of Woombye & Districts 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

Woombye & Districts 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.

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# 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.

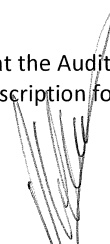
## **Auditor's responsibility for the audit of the financial report**

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: 8 August 2018



**David Hutchings**  
Lead Auditor

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