

2018 Annual Report



WYDCOM Financial
Services Limited

ABN 71 102 202 595

Woori Yallock & District **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2018

It is now 15 years that Woori Yallock & District **Community Bank**[®] Branch, through WYDCOM Financial Services Limited has been operational and it has been another very successful year. This has enabled the company to continue providing significant support to the Woori Yallock, Hoddles Creek, Yellingbo, Launching Place and Don Valley (WHYLD) communities.

Since 2002, with the continued strong support of our community, we have played a significant role in providing schools, businesses, organisations and individuals the support required to continue their role in the development and growth of our community.

The past year has seen a very different environment compared to the last three years. Business has increased thanks in no small part to the efforts of our staff led by Branch Manager Vicky Downes.

Although we continue to compete with the other major banks we have shown that we are now easily seen as the fifth largest bank and our results this year have shown that customers continue to support the Bank and new business has increased.

As a result the business generated in 2017/18 has improved when compared to the level of business over the last three years. Accordingly the total equity in the business has risen to \$1.308 million after the payment of a dividend of 15 cents per share, thanks to the hard work of staff and Directors attracting new business, friends and family customers.

The last twelve months has seen Manager Vicky Downes together with her staff mould into a very successful team. The enthusiasm of Vicky and all staff is fantastic. We also welcomed Lauren as our new Customer Relations Officer. The results of the teams hard work is bearing fruit through increased business and presence in the community. Congratulations to Vicky and her team for an excellent year.

This year we have achieved an excellent result and our partnership with Bendigo and Adelaide Bank Limited has produced an after tax profit of \$54,552. Grants, sponsorships, marketing and promotions totalled \$88,515 and \$27,500 was contributed to the Community Enterprise Foundation™. A further \$66,443 was also returned to the community from the CEF for University and TAFE scholarships, other community events and activities. Our support has assisted community groups to obtain additional funding from Yarra Ranges Council and other sources.

As mentioned earlier the Board issued a 15 cents per share dividend which reflected the profits earned by the company in the previous year. This brought the total dividend paid to \$1.35 per share to date or a total of \$715,500 paid to shareholders.

WYDCOM continues to support community events such as "Kidsfest" run by Woori Community House and the WHYLD Medieval Fair at Camelot Castle and the WHYLD "Winter Warming" which was unfortunately postponed due to adverse weather. Annual grants are made to all our local Primary schools. Sporting clubs, SES and CFA have benefitted through our Rewards program.

With changes to community awareness of banking integrity issues, Bendigo and Adelaide Bank Limited has stood tall and is clearly seen as the fifth largest bank and has gained increased support from the community as a whole.

I would like to again acknowledge the support of Bendigo and Adelaide Bank Limited as their continued assistance is critical to the success of your **Community Bank**[®] Branch. A special mention to Gabriele Butler and her staff especially for her support to myself and bank staff and for attending all our Board meetings which sometimes do run overtime.

Chairman's report (continued)

There were also changes to the Board of Directors this year with Mike Flower being welcomed onto the Board. Mike has extensive experience in the banking area and his decision to become involved in the **Community Bank®** model has been a great benefit.

Unfortunately Lisa Kennedy has decided that after 15 years it is time to take on other challenges. Lisa has been an exceptional support to myself and the Board being Company Treasurer all these years. Lisa's input and business acumen will be sorely missed.

I would also urge that shareholders, friends and business owners consider applying to become a Director of WYDCOM Financial Services Limited so that we can continue to provide the support back to our growing community.

I would like to thank the Board for their support over the past year and for the time they have committed to ensure the company operates smoothly in accord with all the legal requirements as we address the needs of the community and the shareholders.

WYDCOM Financial Services Limited has shown it can deliver excellent company returns to both shareholders and the community and with this support we will continue to grow and develop into the future.



Peter J. Cownley
Chairman

Manager's report

For year ending 30 June 2018

Thank you once again for giving me the opportunity to bring you up to date with the outcomes of the last twelve months at the Woori Yallock & District **Community Bank**[®] Branch. I have been lucky enough over the past three years to see some huge changes in our business, all of which point us in a positive direction. This past 12 months have seen the biggest changes yet. We have some new staff, who are all passionate about the growth of the branch and the direction we are headed. Amanda Gibson has been promoted to Customer Relationship Manager meaning we have the capacity to service our customers lending requirements more than ever before. The Board and the branch have worked closely together to create seminars for our locals and educate our community in banking, which is something we have never been able to do before and we have lots of new and exciting events planned.

Our **Community Bank**[®] branch has been very successful yet again in all lending and deposit areas. Total business growth was \$8.6 million. \$3.6 million of that was growth through lending and all in all, the total business book now stands at \$105 million which is a fantastic effort for such a small branch. We still do not have all our community banking with us although I have been pleased with the increase in customers and business over the past year. The growth in the area has increased and we are certainly beginning to see the benefits of this growth as a business. The population of Woori Yallock and surrounds have grown over the past 12 months, house prices have been at a record high and the age bracket of our population has decreased from 45+ to an average of 30+ which in turn is seeing an influx of families into the area. These are all excellent steps in the right direction for our branch.

Last year I spoke of the age of technology being upon us. This is certainly still very true, and the staff have had to develop themselves and their processes to accommodate this. I can still honestly say that our customer service has not waned, and in my opinion, our community will continue to need a branch in Woori Yallock for the foreseeable future.

As always, my message is positive and all about the future. As well as we are doing as a business we could always do better. We urge you again, our shareholders, to continue to support us and encourage others to do the same. I cannot reiterate enough the importance of educating our community in exactly how our Board of Directors work and why the Woori Yallock & District **Community Bank**[®] Branch is different to any other bank. Times have been tough in the financial world over the past year, but I am genuinely proud of how we have conducted ourselves and treated our customers through these difficult times.

Thank you to the current volunteer Board of Directors and our new administration officer, Katrina Lay. Thanks also to Gabriella Butler, the Regional Community Manager, as the Bendigo and Adelaide Bank Limited link to our Board. Gabriella brings with her the knowledge and experience of other Boards and branches in our region, whilst at the same time respecting our point of difference as a **Community Bank**[®] branch. We also have a fantastic Regional Manager in Marisa Dickins who has supported us through the past 12 months and helped us achieve and exceed our targets by substantial percentages.

A huge thank you must go out to all the staff at the branch, Amanda, Linda, Ashleigh, Ingrid, Lauren and Alex whom have contributed so much over the year in making our **Community Bank**[®] branch as successful as it is. They are the backbone of the bank I cannot express enough gratitude to them and what they do on a day to day basis for our community. Their service is exceptional and not a day goes by when a member of our community doesn't pop in just for a chat with one of them.

Manager's report (continued)

The numbers once again speak for themselves, and I am sure you can also see that I feel a great sense of pride working in such a unique role in such a successful branch. My observations of Woori Yallock, Launching Place, Don Valley, Yellingbo and Hoddles Creek communities over the past three and a half years, are that the people have a strong community spirit, but as with most individuals we are all time poor. I am here to help. I urge you to utilise me over the coming year and spread the word about the wonderful opportunity our community have with access to a personalised banking service.

Again, I cannot stress enough the importance of the question, "Do you bank with the Woori Yallock & District **Community Bank**® Branch?" As shareholders, staff, Board members and customers we all have a responsibility to spread the word, hand out business cards and then leave me to do the rest. All I ask is for opportunities to grow our business, with your recommendations on the service your friends and family receive.

Thank you for your time, I wish you all another prosperous and exciting year ahead!



Vicky Downes
Manager

Sponsorships and grants

WYDCOM Financial Services Limited have sponsored or made grants to the following organisations:

Educations	Sporting groups
Don Valley Primary School	Biddlesden Park Equestrian Club
Hoddles Creek Primary School	Launching Place Cricket Club
Launching Place Kindergarten	Legrette - Equestrian Club
Launching Place Primary School	Nar Nar Goon Cricket Club
Woori Yallock Kindergarten	Pakenham Upper Cricket Club
Woori Yallock Primary School	Upper Yarra Adult Riding Club
Yarra Ranges Kindergartens	Woori Yallock Football Netball Club
Magic Moments Foundation Ltd	Woori Yallock Junior Football Club
The Yarra Valley Youth Theatre Group Inc.	Working Equitation
	Yarra Valley Dressage Club

Emergency services	Community events
Upper Yarra SES	WHYLD
Yarra Valley CFA	Woori Yallock Community House
	Woori Yallock Township Action Group
	Yarra Valley Small Wineries

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:

Peter James Cownley

Chair

Occupation: Operations Manager

Qualifications, experience and expertise: Peter has completed his Diploma of Civil Engineering and Post Graduate in Municipal Engineering. Peter has volunteered for the Launching Place Tennis Club, Kiwanis Club of Port Phillip and the Woori Yallock Junior Football Club.

Special responsibilities: Audit & Human Resources Committee

Interest in shares: 1,000

Michael Norman Flower

Deputy Chair (Appointed 28 August 2017)

Occupation: Business Consultant

Qualifications, experience and expertise: Mike is a versatile and experienced professional with business acumen and commercial judgement gained from executive roles in banking, finance and professional services. Mike is a FINSIA Fellow, an AICD graduate and a certified member of the Governance Institute of Australia.

Special responsibilities: Marketing & Sponsorship Committee and Audit & Human Resources Committee

Interest in shares: Nil

Lisa Maree Kennedy

Treasurer

Occupation: Bookkeeper

Qualifications, experience and expertise: Lisa works with a real estate agency and has been a bookkeeper for over 30 years as well as operating her own business. Lisa has been on the board for over 14 years, during which time she has held the role of Treasurer for over 13 of them and for short period was company secretary.

Special responsibilities: Audit & Human Resources Committee

Interest in shares: 1,701

Lynette Joy Collier

Company Secretary

Occupation: Administrative Assistant

Qualifications, experience and expertise: Lyn has completed a Bachelor of Education Degree and a Graduate Diploma of Education Administration. Lyn has over 40 years experience in education and is also a volunteer in various community groups.

Special responsibilities: Audit & Human Resources Committee

Interest in shares: 5,500

Directors' report (continued)

Directors (continued)

John Hugh Ferguson

Director

Occupation: Surveyor

Qualifications, experience and expertise: John works as a surveyor. He and his family have been long standing community members. Growing up in the area John has attended local schools and has played sport with the local teams in particular the Woori Yallock Cricket Club. John has also held executive positions with many of these clubs.

Special responsibilities: Marketing & Sponsorship Committee

Interest in shares: 1,000

Bernard John Cole-Sinclair

Director

Occupation: Accountant

Qualifications, experience and expertise: Bernie holds a Diploma in Business Studies (Accounting) and is a Fellow member of the T.I.A. and the N.T.A.A. Bernie is also a registered tax agent and has operated his own practice for over 25 years in the Yarra Valley. Bernie is a member of the Hoddles Creek Fire Brigade, the local cricket club and primary school as well as being a trustee for the Beenak Cemetery Trust.

Special responsibilities: Marketing & Sponsorship Committee

Interest in shares: Nil

Raymond Richard Gregson

Director (Resigned 13 November 2017)

Occupation: Cabinet Maker & Business Proprietor

Qualifications, experience and expertise: Ray operates his own business and is a current Woori Yallock Football & Netball Club Committee Member.

Special responsibilities: Marketing & Sponsorship Committee

Interest in shares: 501

Melissa Jacquier

Director (Resigned 13 November 2017)

Occupation: Manager of a Beauty Consultancy

Qualifications, experience and expertise: Melissa operates her own business as a Beauty Consultant and has sales and marketing experience. Melissa is involved in local community children's activities.

Special responsibilities: Marketing & Sponsorship Committee

Interest in shares: Nil

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

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

Company Secretary

The company secretary is Lynette Collier. Lyn was re-appointed to the position of secretary on the 28th August 2017. having previously held the position for a period of 8 years commencing in 2009.

Qualifications, experience and expertise: Lyn has completed a Bachelor of Education Degree and a Graduate Diploma of Education Administration.

Directors' report (continued)

Principal Activities

The principal activities of the company during the course of the financial year was 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 \$
54,552	71,736

Dividends

	Year ended 30 June 2018	
	Cents	\$
Dividends paid in the year	15.00	79,500

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 notes 19 and 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.

Directors' report (continued)

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		Committee Meetings Attended					
			Executive & Finance		Human Resources		Marketing & Sponsorship	
	A	B	A	B	A	B	A	B
Peter James Cownley	11	10	9	9	3	3	-	-
Michael Norman Flower *	10	10	5	4	3	3	6	6
Lynette Joy Collier	11	10	9	9	3	3	1	1
Lisa Maree Kennedy	11	9	9	9	3	3	-	-
John Hugh Ferguson	11	10	-	-	-	-	7	6
Bernard John Cole-Sinclair	11	10	-	-	-	-	7	6
Raymond Richard Gregson **	4	3	-	-	-	-	2	1
Melissa Jacquier **	4	3	-	-	-	-	2	1

A - eligible to attend
B - number attended

* - (Appointed 28 August 2017)
** - (Resigned 13 November 2017)

Proceedings on behalf of the company

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

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

Non audit services

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

The board of directors has considered the position, in accordance with the advice received from the executive and 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*.

Directors' report (continued)

Non audit services (continued)

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

- all non-audit services have been reviewed by the executive and 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 11.

Signed in accordance with a resolution of the board of directors at Woori Yallock, Victoria on 24 September 2018.



Michael Norman Flower,
Deputy Chair

Auditor's independence declaration



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 WYDCOM Financial Services Limited

As lead auditor for the audit of WYDCOM 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.

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 24 September 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	880,008	841,482
Employee benefits expense		(468,444)	(417,796)
Charitable donations, sponsorship, advertising and promotion		(116,015)	(119,593)
Occupancy and associated costs		(61,237)	(61,268)
Systems costs		(19,699)	(15,896)
Depreciation and amortisation expense	5	(27,586)	(27,547)
General administration expenses		(111,783)	(100,436)
Profit before income tax expense		75,244	98,946
Income tax expense	6	(20,692)	(27,210)
Profit after income tax expense		54,552	71,736
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		54,552	71,736
Earnings per share		¢	¢
Basic earnings per share	22	10.29	13.54

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	1,258,040	1,234,425
Trade and other receivables	8	94,280	85,096
Current tax asset	11	4,866	-
Total Current Assets		1,357,186	1,319,521
Non-Current Assets			
Property, plant and equipment	9	68,243	80,685
Intangible assets	10	5,685	19,427
Deferred tax asset	11	9,431	9,697
Total Non-Current Assets		83,359	109,809
Total Assets		1,440,545	1,429,330
LIABILITIES			
Current Liabilities			
Trade and other payables	12	89,409	54,603
Current tax liabilities	11	-	5,818
Provisions	13	37,647	33,926
Total Current Liabilities		127,056	94,347
Non-Current Liabilities			
Provisions	13	4,772	1,318
Total Non-Current Liabilities		4,772	1,318
Total Liabilities		131,828	95,665
Net Assets		1,308,717	1,333,665
EQUITY			
Issued capital	14	512,969	512,969
Retained earnings	15	795,748	820,696
Total Equity		1,308,717	1,333,665

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Note	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2016		512,969	801,960	1,314,929
Total comprehensive income for the year		-	71,736	71,736
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	20	-	(53,000)	(53,000)
Balance at 30 June 2017		512,969	820,696	1,333,665
Balance at 1 July 2017		512,969	820,696	1,333,665
Total comprehensive income for the year		-	54,552	54,552
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	20	-	(79,500)	(79,500)
Balance at 30 June 2018		512,969	795,748	1,308,717

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		851,179	807,471
Payments to suppliers and employees		(739,057)	(742,314)
Interest received		23,505	39,169
Income taxes paid		(31,110)	2,691
Net cash provided by operating activities	16	104,517	107,017
Cash flows from investing activities			
Payments for property, plant and equipment		(1,402)	(12,096)
Net cash used in investing activities		(1,402)	(12,096)
Cash flows from financing activities			
Dividends paid	20	(79,500)	(53,000)
Net cash used in financing activities		(79,500)	(53,000)
Net increase in cash held		23,615	41,921
Cash and cash equivalents at the beginning of the financial year		1,234,425	1,192,504
Cash and cash equivalents at the end of the financial year	7(a)	1,258,040	1,234,425

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 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.

Notes to the financial statements (continued)

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 lease of its branch and administration office. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to \$148,968, on an undiscounted basis (see Note 17).

The company currently has no financial leases, therefore there will be no impact to recognise.

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 Woori Yallock, Victoria.

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

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

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

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

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

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

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

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).

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Discretionary financial contributions (continued)

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

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

Ability to change financial return

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

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

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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

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

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

Current and deferred tax for the period

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

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

g) Property, plant and equipment (continued)

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.

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). They are subsequently measured at amortised cost using the effective interest rate method.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

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.

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.

Notes to the financial statements (continued)

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.

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.

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- gross margin	710,527	644,650
- services commissions	34,188	42,395
- fee income	80,078	84,448
- market development fund	27,500	35,000
Total revenue from operating activities	852,293	806,493
Non-operating activities:		
- interest received	26,876	30,229
- other revenue	839	4,760
Total revenue from non-operating activities	27,715	34,989
Total revenues from ordinary activities	880,008	841,482

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	4,172	4,088
- leasehold improvements	9,672	9,717
Amortisation of non-current assets:		
- franchise agreement	2,291	2,291
- franchise renewal fee	11,451	11,451
	27,586	27,547
Bad debts	388	72

Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	20,426	24,320
- Movement in deferred tax	266	2,448
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	442
	20,692	27,210

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

Operating profit	75,244	98,946
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	20,692	27,210

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 6. Income tax expense (continued)		
Add tax effect of:		
- timing difference expenses	(266)	(2,890)
	20,426	24,320
Movement in deferred tax	266	2,448
Adjustment to deferred tax to reflect change of tax rate in future periods	-	442
	20,692	27,210

Note 7. Cash and cash equivalents

Cash at bank and on hand	106,820	104,979
Term deposits	1,151,220	1,129,446
	1,258,040	1,234,425

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	106,820	104,979
Term deposits	1,151,220	1,129,446
	1,258,040	1,234,425

Note 8. Trade and other receivables

Trade receivables	71,595	70,002
Prepayments	13,122	8,901
Other receivables and accruals	9,563	6,193
	94,280	85,096

Note 9. Property, plant and equipment

Leasehold improvements		
At cost	120,837	120,837
Less accumulated depreciation	(74,458)	(64,786)
	46,379	56,051
Plant and equipment		
At cost	112,091	110,689
Less accumulated depreciation	(90,227)	(86,055)
	21,864	24,634
Total written down amount	68,243	80,685

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 9. Property, plant and equipment (continued)		
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	56,051	56,392
Additions	-	9,376
Less: depreciation expense	(9,672)	(9,717)
Carrying amount at end	46,379	56,051
Plant and equipment		
Carrying amount at beginning	24,634	26,002
Additions	1,402	2,720
Less: depreciation expense	(4,172)	(4,088)
Carrying amount at end	21,864	24,634
Total written down amount	68,243	80,685

Note 10. Intangible assets

Franchise fee		
At cost	71,453	71,453
Less: accumulated amortisation	(70,721)	(68,429)
	732	3,024
Renewal processing fee		
At cost	92,715	92,715
Less: accumulated amortisation	(87,762)	(76,312)
	4,953	16,403
Total written down amount	5,685	19,427

Note 11. Tax

Current:

Income tax payable/(refundable)	(4,866)	5,818
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Non-Current:

Deferred tax assets		
- accruals	1,375	1,375
- employee provisions	10,353	9,692
	11,728	11,067

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 11. Tax (continued)		
Deferred tax liability		
- accruals	2,297	1,370
	2,297	1,370
Net deferred tax asset	9,431	9,697
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	266	2,890

Note 12. Trade and other payables

Trade creditors	29,028	21,828
Other creditors and accruals	60,381	32,775
	89,409	54,603

Note 13. Provisions

Current:

Provision for annual leave	5,598	9,035
Provision for long service leave	32,049	24,891
	37,647	33,926

Non-Current:

Provision for long service leave	4,772	1,318
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Note 14. Issued capital

530,000 ordinary shares fully paid (2017: 530,000)	530,000	530,000
Less: equity raising expenses	(17,031)	(17,031)
	512,969	512,969

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.

Notes to the financial statements (continued)

Note 14. Issued capital (continued)

Rights attached to shares (continued)

(a) Voting rights (continued)

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").
- 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").

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.

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 15. Retained earnings		
Balance at the beginning of the financial year	820,696	801,960
Net profit from ordinary activities after income tax	54,552	71,736
Dividends provided for or paid	(79,500)	(53,000)
Balance at the end of the financial year	795,748	820,696

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	54,552	71,736
Non cash items:		
- depreciation	13,844	13,805
- amortisation	13,742	13,742
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(9,184)	12,145
- (increase)/decrease in other assets	(4,600)	6,161
- increase/(decrease) in payables	34,806	(10,009)
- increase/(decrease) in provisions	7,175	(18,922)
- increase/(decrease) in current tax liabilities	(5,818)	18,359
Net cash flows provided by operating activities	104,517	107,017

Note 17. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments:

- not later than 12 months	33,912	19,526
- between 12 months and 5 years	115,056	4,882
	148,968	24,408

The operating lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance.

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 18. Auditors' 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	3,403	3,374
- other non audit services	2,080	503
	9,883	8,077

Note 19. Director and related party disclosures

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

Peter James Cownley
 Michael Norman Flower (Appointed 28/8/17)
 Lynette Joy Collier
 Lisa Maree Kennedy
 John Hugh Ferguson
 Bernard John Cole-Sinclair
 Raymond Richard Gregson (Resigned 13/11/17)
 Melissa Jacquier (Resigned 13/11/17)

Transactions with related parties:	2018	2017
Caber Accounting & Taxation Services has during the year provided accounting and taxation services to the company. Bernard Cole-Sinclair is the principal in this organisation.	8,690	7,600

Directors' Shareholdings	2018	2017
Peter James Cownley	1000	1,000
Michael Norman Flower (Appointed 28/8/17)	-	-
Lynette Joy Collier	5500	5,500
Lisa Maree Kennedy	1701	1,701
John Hugh Ferguson	1000	1,000
Bernard John Cole-Sinclair	-	-
Raymond Richard Gregson (Resigned 13/11/17)	501	501
Melissa Jacquier (Resigned 13/11/17)	-	-

There was no movement in directors' shareholdings during the year.

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 20. Dividends provided for or paid		
a. Dividends paid during the year		
Current year dividend		
100% (2017: 100%) franked dividend - 15 cents (2017: 10 cents) per share	79,500	53,000
The tax rate at which dividends have been franked is 27.5% (2017: 27.5%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	660,929	635,234
- franking credits that will arise from payment of income tax as at the end of the financial year	23,413	25,695
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	684,342	660,929
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	684,342	660,929

Note 21. Key management personnel disclosures

The Board is responsible for the determination of remuneration packages and policies applicable to the Branch Manager and all the staff. Performance in relation to remuneration is reviewed annually in accordance with the company performance review policy. The Branch Manager is invited to Board Meetings as required to discuss performance and remuneration packages to staff.

The Board's policy in respect to the Branch Manager is to maintain remuneration parity with the **Community Bank**[®] network and local market rates for comparable roles. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best local Branch management personnel.

Key management personnel also receive a superannuation guarantee contribution as required by legislation, which is currently 9.5% and do not receive any other benefits.

The contracts for service between the company and the key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 21. Key management personnel disclosures (continued)		
The directors received remuneration including superannuation, as follows:		
Peter James Cownley	6,385	5,974
Michael Norman Flower (Appointed 28 August 2017)	-	-
Lynette Joy Collier	-	-
Lisa Maree Kennedy	4,327	3,811
John Hugh Ferguson	-	-
Bernard John Cole-Sinclair	927	1,648
Raymond Richard Gregson (Resigned 13 November 2017)	-	-
Melissa Jacquier (Resigned 13 November 2017)	412	824
	12,772	12,257

Note 22. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	54,552	71,736
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	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	530,000	530,000

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 Woori Yallock, Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Notes to the financial statements (continued)

Note 26. Registered office/Principal place of business

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

Registered Office

Shop 13 1585 Warburton Highway
Woori Yallock VIC 3139

Principal Place of Business

Shop 13 1585 Warburton Highway
Woori Yallock VIC 3139

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	106,820	104,979	1,151,220	1,129,446	-	-	-	-	-	-	2.11	2.47
Receivables	-	-	-	-	-	-	-	-	71,595	70,002	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	29,028	21,828	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.

Notes to the financial statements (continued)

Note 27. Financial instruments (continued)

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%	12,580	12,344
Decrease in interest rate by 1%	(12,580)	(12,344)
Change in equity		
Increase in interest rate by 1%	12,580	12,344
Decrease in interest rate by 1%	(12,580)	(12,344)

Directors' declaration

In accordance with a resolution of the directors of WYDCOM 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.



Michael Norman Flower,
Deputy Chair

Signed on the 24th of September 2018

Independent audit report



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 WYDCOM Financial Services Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of WYDCOM 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

WYDCOM 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.

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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: 24 September 2018



David Hutchings
Lead Auditor

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