



Annual Report 2017

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 2017

Woori Yallock & District **Community Bank**[®] Branch, through WYDCOM Financial Services Limited has been operational for 14 years and continues to provide significant support to the residents and businesses of the Woori Yallock, Hoddles Creek, Yellingbo, Launching Place and Don Valley (WHYLD) communities.

Although the WHYLD District did not have a Bank prior to 2002, the continued, excellent support from the community and businesses over time has shown that our community can support a much needed banking service and in return your Bank (through WYDCOM Financial Services Limited) now plays a major lead and support role within our community. Many clubs, businesses, organisations, schools, families and students continue to benefit from our presence.

Continuing the trend of recent years, business over the past year has again been challenging. Bendigo and Adelaide Bank continues to compete with the four major banks for customers and is cementing its place as Australia's fifth largest Bank. Customers continue to seek any small additional margin of return on their savings and as a result, the income generated in the 2016/17 financial year is less than previous years. Even so the total equity in the company is now \$1.333 million after dividend payments this year of 10c per share. This is largely through the hard work of staff and Directors attracting new business, families and friends to bank with our customer-friendly Bank.

Although no longer classed as new, Manager Vicky Downes and her staff form a great team and their enthusiasm and customer relationships are fantastic. The result of the teams' hard work continues to bear fruit through increased business and presence in the community.

As Chairman for the last three and a half years, I would like to thank all the Directors for the time they have committed to ensuring the company operates well and we address the needs of the community and shareholders. Unfortunately we will be saying farewell to Ray Gregson who has served for 15 years as a Director since we started in 2002. Ray will be missed especially his community connections, insights and advice. Also Melissa Jacquier is unfortunately retiring due to family reasons, and on behalf of the Board I wish to thank Melissa for her input and enthusiasm.

The office has continued to provide a focus for the company and the community and is open four days per week. We welcomed our new Executive Officer, Anna Palmer, to our team in May. Community groups and residents are able to contact Anna to seek help and advice on sponsorships and community grants. The office is also used for presentation of sponsorships, scholarships and grants in addition to being a much-needed meeting room for the Board and business committees.

In another successful year, the business partnership with Bendigo and Adelaide Bank has produced an after tax profit of \$71,736, an increase of \$10,011 from last year. Together with the inclusion of grants, sponsorships, and promotions totaling \$119,593, WYDCOM Financial Services Limited has earned a return of \$191,329 for the past year.

This year a further \$62,634 has been returned to the WHYLD community through the Community Enterprise Foundation[™] which assisted community groups to obtain additional funding of approximately \$37,550. This totals an additional \$100,184 of community benefit for all who live in the five townships.

All shareholders and customers are encouraged to urge family, friends and colleagues to come into the branch and meet the Manager with a view to obtaining advice on how we can provide the best banking outcome for them whilst increasing our support for the WHYLD community.

This year the Board issued a 10c per share dividend, which reflected the profits achieved in the previous year. Such a substantial dividend highlighted the viability and profitability of our company and brought the total dividend paid to \$1.20 per share to date. This dividend brings the total paid to you, our shareholders to \$636,000. At the October board meeting, consideration will be given to the issue of the shareholders' dividend for this year.

Community support was again a major beneficiary of this year's activities, with a total of \$182,227 distributed through our community grants, sponsorships and marketing programs and the Community Enterprise Foundation[™].

Chairman's report (continued)

WYDCOM continues to support WYTAG community projects and have funded other community events including "Kidsfest" run by Woori Community House, the WHYLD "Medieval Fair" at Camelot Castle, and the WHYLD "Winter Warming" at Launching Place which highlights the support we provide for community building activities.

Annual grants are made to all our Primary Schools. Support was provided for the Woori Yallock School fete, the Yarra Ranges Kindergarten Group and the Launching Place Primary School aerobics team. The Woori Yallock Football and Netball Club, Yellingbo Tennis Club and Launching Place Cricket Club were also beneficiaries again this year. In addition our equity in the Community Enterprise Foundation™ for future major projects has increased to nearly \$283,000 providing the opportunity for the support of future initiatives.

To encourage business we introduced a Rewards Program for community groups and associations who introduce new customers to the branch. We have returned to sporting clubs, CFA's, pre-schools and schools a total of \$3,585 for recommending our Bank to their supporters.

Your company is entering a new phase. One which will see us endeavor to achieve greater awareness within our community in order to provide improved, targeted services to our customers. Bendigo and Adelaide Bank is very competitive in business banking whether small or large and can assist all with personal or business advice on loans, insurances, financial planning and investment. In return this provides a greater opportunity for us to grow the business and results in offering increased support to our community.

The branch is fortunate to have fantastic and dedicated staff managing the day-to-day business, together we make a great and successful team.

The Board wishes to convey our sincere thanks and appreciation to our Manager Vicky and the whole staff, for their continued support and to our shareholders, customers and community.

I would also like to acknowledge the support of Bendigo and Adelaide Bank. Their faith in us and their continual assistance has been critical to our success.

My thanks for the support provided by Gab Butler and her staff, especially as Gab continues to provide advice even when the Board meetings sometimes continue past the planned meeting duration.

The opportunity to contribute to the community through being a Director of WYDCOM Financial Services Limited is something that I would urge local business operators and community members to consider. We would appreciate expressions of interest from any persons interested in joining the Board of Directors. I would like to introduce Mike Flower as an incoming candidate for election to be considered tonight. Mike has extensive banking and Board experience and his expertise will be of great benefit going forward.

WYDCOM Financial Services Limited which has footings of \$1,333 million and Community Enterprise Foundation™ contributions nearing \$283,000 with a proven profitability over 14 years, showing that your company is in very good shape. This success, together with our ongoing commitment to and support of community endeavors, combined with the enthusiasm of our community, will ensure we continue to grow and develop together.



Peter J. Cownley
Chairman

Manager's report

For year ending 30 June 2017

Thank you again for giving me the opportunity to bring you up to date with the outcomes of the last 12 months at the Woori Yallock & District **Community Bank**[®] Branch.

I have now been Branch Manager here for just over two years and am confidently impressed with the direction of the branch and the community of Woori Yallock.

Our Bank has been very successful in many areas and although it would be great to see all of our community banking with us, I have been pleased with the increase in customers and business over the past year, as well as the continued growth of the WHYLD area.

It is certainly no secret that the age of technology is upon us and growing at a frightening pace. However, I am pleased to report that the Bendigo and Adelaide Bank is keeping up with the times whilst also focusing on staying inline or ahead of the big four banks, which I am sure is as much of a comfort to you as it is to me.

As always my message is one of positivity but also encouragement, we urge you, 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 Woori Yallock & District **Community Bank**[®] Branch is different to any other bank. We need some 'new blood' on the Board for some exciting changes ahead. Our community is a wonderful close knit combination of many different personalities and I am sure that there are so many out there who could contribute more than they realise by joining our Board of Directors.

Thank you to the current volunteer Board of Directors, Peter, Lyn, Ray, Bernie, Lisa, John, Mel and our newest addition Mike Flower. The support of Gabriella Butler, the Regional Community Manager, as the Bendigo Bank 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 branch. Her ongoing support is imperative to the success of the community network.

Also, a huge thank you to Anna Palmer, our Executive Administration Officer who has been given the most arduous task of taking on this role half way through the year and has already contributed so much to the effectiveness of our Board. Anna will as always wear two hats, administration for the Board and Bendigo Bank, including assisting our community groups with grant and sponsorship applications, as well as helping me personally get our name out into the local community. This is no easy feat so please show your support in any way you can.

Also a huge thank you must go out to all the staff at the branch, Amanda, Linda, Ashleigh, Ingrid, Carolyn and Alice whom have contributed so much over the years in making our branch as successful as it is. As the backbone of the branch I cannot express my gratitude enough to them and what they do on a day-to-day basis for our community.

The Bendigo and Adelaide Bank have a fantastic Regional Manager in Marisa Dickins whom has been a wonderful support to our branch over the last 12 months with her experience and unique approach to getting the best out of everyone. She doesn't just speak of results, but gets them and the results are showing for our Bank.

The great news is that we have nearly reached the \$100 million mark in total business for the first time ever.

Bendigo Bank is changing, the community is growing and the branch is growing. If we as a business are to grow with it we need more customers. As I said in last year's report, you can see the numbers for yourselves in the Chairman's report, however my focus is on people. I feel a great sense of pride working in such a unique role. My observations of Woori Yallock, Launching Place, Don Valley, Yellingbo and Hoddles Creek communities over the past two years are that the people have a strong community spirit, but as with most individuals, we are time poor. I am here to help.

I urge you to utilise me over the coming years and spread the word about the wonderful opportunity our community have with access to a personalised banking service, something we know for sure will vanish in the coming years from other banks.

Manager's report (continued)

Again, I cannot stress enough the importance of the question, "Do you bank with 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 the opportunity to grow our business, with your recommendations on the service your friends and family desire and receive.

Thank you for the faith you have shown in me over the last two years, as a brand new Branch Manager. This role was mammoth at times, but I am truly blessed to be the Manager of the Woori Yallock & District **Community Bank**® Branch. Thank you all personally for your support through the first difficult years, which now thanks to your patience and support, we are kicking goals!



Vicky Downes
Manager

Sponsorships and grants

For year ending 30 June 2017

Australian Lavender Growers Association	Mt Lilydale Mercy College
Biddlesden Park Equestrian	One Family at a Time
Brick Design Group	Pakenham Upper Cricket Club
CFA Yarra Valley Group	Upper Yarra Adult Riding Club
Don Valley Primary School	Woori Community House
Hoddles Creek CFA	Woori Yallock Cricket Club
Hoddles Creek Primary School	Woori Yallock Football/Netball Club
Hoddles Creek Tennis Club	Woori Yallock Preschool
Kids of Gold	Woori Yallock Primary School
Kidsfest	Working Equitation Yarra Valley
Launching Place Cricket Club	Yarra Ranges Kindergarten Group
Launching Place Primary School	Yarra Valley Smaller Wineries

Directors' report

For the financial year ended 30 June 2017

Your directors submit the financial statements of the company for the financial year ended 30 June 2017.

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

Chairman

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 Resource Committees

Interest in shares: 500

Raymond Richard Gregson

Deputy Chairman

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 Committees

Interest in shares: 501

Lynette Joy Collier

Director

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 Resource Committees

Interest in shares: 5,500

Lisa Maree Kennedy

Secretary

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 13 years, during which time she has held the role of Treasurer for 12 of them.

Special responsibilities: Audit & Human Services Committees

Interest in shares: 1,701

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 Committees

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 N.T.A.A. Bernie is also a registered tax agent and has operated his own practice for over 24 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:

Interest in shares: Nil

Melissa Jacquier

Director

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 activities.

Special responsibilities: Marketing & Sponsorship Committees

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

Our company secretary at the start of this year was Lynette Collier. Lyn resigned from this position on the 4th January, 2017. Lyn had held this position since being appointed on the 23rd of November, 2009.

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

The company secretary is Lisa Kennedy. Lisa was appointed to the position of secretary on 4th January, 2017.

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 13 years, during which time she has held the role of Treasurer for 12 of them.

Principal Activities

The principal activities of the company during the course of the financial year were in 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.

Directors' report (continued)

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 2017 \$	Year ended 30 June 2016 \$
71,736	61,725

Dividends

	Year ended 30 June 2017	
	Cents	\$
Dividends paid in the year	10	53,000

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.

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		Committee Meetings Attended					
			Executive & Finance		Human Resources		Marketing & Sponsorship	
	A	B	A	B	A	B	A	B
Peter James Cownley	11	10	3	3	2	2	-	-
Raymond Richard Gregson	11	11	-	-	-	-	4	4
Lynette Joy Collier	11	11	3	3	2	2	-	-
Lisa Maree Kennedy	11	9	3	3	2	2	-	-
John Hugh Ferguson	11	11					4	4
Bernard John Cole-Sinclair	11	10					4	4
Melissa Jacquier	11	8					4	3

A - eligible to attend

B - number attended

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

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

Directors' report (continued)

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 12.

Signed in accordance with a resolution of the board of directors at Woori Yallock on 1st September 2017.



**Peter James Cownley,
Chairman**

Auditor's independence declaration



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 2017, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 31 August 2017

David Hutchings
Lead Auditor

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue from ordinary activities	4	841,482	858,137
Employee benefits expense		(417,796)	(419,838)
Charitable donations, sponsorship, advertising and promotion		(119,593)	(137,942)
Occupancy and associated costs		(61,268)	(54,226)
Systems costs		(15,896)	(16,323)
Depreciation and amortisation expense	5	(27,547)	(27,522)
General administration expenses		(100,436)	(115,317)
Profit before income tax expense		98,946	86,969
Income tax expense	6	(27,210)	(25,244)
Profit after income tax expense		71,736	61,725
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		71,736	61,725
Earnings per share		¢	¢
Basic earnings per share	22	13.54	11.65

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2017

	Notes	2017 \$	2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,234,425	1,192,504
Trade and other receivables	8	85,096	97,241
Current tax asset	11	-	15,811
Total Current Assets		1,319,521	1,305,556
Non-Current Assets			
Property, plant and equipment	9	80,685	82,394
Intangible assets	10	19,427	33,170
Deferred tax asset	11	9,697	12,587
Total Non-Current Assets		109,809	128,151
Total Assets		1,429,330	1,433,707
LIABILITIES			
Current Liabilities			
Trade and other payables	12	54,603	64,612
Current tax liabilities	11	5,818	-
Provisions	13	33,926	50,429
Total Current Liabilities		94,347	115,041
Non-Current Liabilities			
Provisions	13	1,318	3,737
Total Non-Current Liabilities		1,318	3,737
Total Liabilities		95,665	118,778
Net Assets		1,333,665	1,314,929
Equity			
Issued capital	14	512,969	512,969
Retained earnings	15	820,696	801,960
Total Equity		1,333,665	1,314,929

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2017

	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2015	512,969	793,235	1,306,204
Total comprehensive income for the year	-	61,725	61,725
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(53,000)	(53,000)
Balance at 30 June 2016	512,969	801,960	1,314,929
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	-	(53,000)	(53,000)
Balance at 30 June 2017	512,969	820,696	1,333,665

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		807,471	907,399
Payments to suppliers and employees		(742,314)	(881,051)
Interest received		39,169	31,450
Income taxes paid		2,691	12,972
Net cash provided by operating activities	16	107,017	70,770
Cash flows from investing activities			
Payments for property, plant and equipment		(12,096)	(20,843)
Net cash provided by/(used in) investing activities		(12,096)	(20,843)
Cash flows from financing activities			
Dividends paid		(53,000)	(53,000)
Net cash provided by/(used in) financing activities		(53,000)	(53,000)
Net increase/(decrease) in cash held		41,921	(3,073)
Cash and cash equivalents at the beginning of the financial year		1,192,504	1,195,577
Cash and cash equivalents at the end of the financial year	7(a)	1,234,425	1,192,504

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2017

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

There are a number of amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2016, and are therefore relevant for the current financial year.

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

There are also a number of accounting standards and interpretations issued by the Australian Accounting Standards Board (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 2016. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

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 and office leases 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 Woori Yallock, Victoria.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

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, deposits 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.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return

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

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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

Current and deferred tax for the period

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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.

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

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

l) Leases (continued)

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.

n) Contributed equity

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.

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

(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 2017 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- gross margin	644,650	564,273
- services commissions	42,395	116,188
- fee income	84,448	92,448
- market development fund	35,000	50,000
Total revenue from operating activities	806,493	822,909
Non-operating activities:		
- interest received	30,229	35,228
- other revenue	4,760	-
Total revenue from non-operating activities	34,989	35,228
Total revenues from ordinary activities	841,482	858,137

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	4,088	5,504
- leasehold improvements	9,717	8,276

Amortisation of non-current assets:

- franchise agreement	2,291	2,291
- franchise renewal fee	11,451	11,451
	27,547	27,522

Bad debts	72	3,682
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Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	24,320	18,121
- Future income tax benefit attributable to losses	-	-
- Movement in deferred tax	2,448	6,665
- Adjustment to deferred tax to reflect change to tax rate in future periods	442	458
	27,210	25,244

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 6. Income tax expense (continued)		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	98,946	86,969
Prima facie tax on profit from ordinary activities at 27.5% (2016: 28.5%)	27,210	24,765
Add tax effect of:		
- timing difference expenses	(2,890)	(6,644)
	24,320	18,121
Movement in deferred tax	2,448	6,665
Adjustment to deferred tax to reflect change of tax rate in future periods	442	458
	27,210	25,244

Note 7. Cash and cash equivalents

Cash at bank and on hand	104,979	19,225
Term deposits	1,129,446	1,173,279
	1,234,425	1,192,504

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	104,979	19,225
Term deposits	1,129,446	1,173,279
	1,234,425	1,192,504

Note 8. Trade and other receivables

Trade receivables	70,002	66,220
Prepayments	8,901	15,889
Other receivables and accruals	6,193	15,132
	85,096	97,241

Note 9. Property, plant and equipment

Leasehold improvements		
At cost	120,837	111,461
Less accumulated depreciation	(64,786)	(55,069)
	56,051	56,392

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 9. Property, plant and equipment (continued)		
Plant and equipment		
At cost	110,689	107,969
Less accumulated depreciation	(86,055)	(81,967)
	24,634	26,002
Total written down amount	80,685	82,394
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	56,392	54,590
Additions	9,376	10,078
Disposals	-	-
Less: depreciation expense	(9,717)	(8,276)
Carrying amount at end	56,051	56,392
Plant and equipment		
Carrying amount at beginning	26,002	20,741
Additions	2,720	10,765
Disposals	-	-
Less: depreciation expense	(4,088)	(5,504)
Carrying amount at end	24,634	26,002
Total written down amount	80,685	82,394
Note 10. Intangible assets		
Franchise fee		
At cost	71,453	71,453
Less: accumulated amortisation	(68,429)	(66,138)
	3,024	5,315
Renewal processing fee		
At cost	92,715	92,715
Less: accumulated amortisation	(76,312)	(64,860)
	16,403	27,855
Total written down amount	19,427	33,170

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 11. Tax		
Current:		
Income tax payable	5,818	15,811
Non-Current:		
Deferred tax assets		
- accruals	1,375	1,520
- employee provisions	9,692	14,896
	11,067	16,416
Deferred tax liability		
- accruals	1,370	3,829
	1,370	3,829
Net deferred tax asset	9,697	12,587
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	2,890	7,123

Note 12. Trade and other payables

Current:		
Trade creditors	21,828	35,730
Other creditors and accruals	32,775	28,882
	54,603	64,612

Note 13. Provisions

Current:		
Provision for annual leave	9,035	20,829
Provision for long service leave	24,891	29,600
	33,926	50,429
Non-Current:		
Provision for long service leave	1,318	3,737

Note 14. Contributed equity

530,000 ordinary shares fully paid (2016: 530,000)	530,000	530,000
Less: equity raising expenses	(17,031)	(17,031)
	512,969	512,969

Notes to the financial statements (continued)

Note 14. Contributed equity (continued)

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").
- 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.

Notes to the financial statements (continued)

Note 14. Contributed equity (continued)

Prohibited shareholding interest (continued)

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.

	2017 \$	2016 \$
Note 15. Retained earnings		
Balance at the beginning of the financial year	801,960	793,235
Net profit from ordinary activities after income tax	71,736	61,725
Dividends paid or provided for	(53,000)	(53,000)
Balance at the end of the financial year	820,696	801,960

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	71,736	61,725
Non cash items:		
- depreciation	13,805	13,780
- amortisation	13,742	13,742
Changes in assets and liabilities:		
- (increase)/decrease in receivables	12,145	(11,376)
- (increase)/decrease in other assets	6,161	36,397
- increase/(decrease) in payables	(10,009)	(23,363)
- increase/(decrease) in provisions	(18,922)	(20,135)
- increase/(decrease) in current tax liabilities	18,359	-
Net cash flows provided by operating activities	107,017	70,770

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	19,526	19,526
- between 12 months and 5 years	4,882	24,408
- greater than 5 years	-	-
	24,408	43,934

Notes to the financial statements (continued)

Note 17. Leases (continued)

The branch premises and administration office leases are non-cancellable leases with a five-year term, with rent payable monthly in advance.

	2017 \$	2016 \$
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Note 18. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:

- audit and review services	4,200	4,100
- share registry services	3,374	3,050
- non audit services	503	1,755
	8,077	8,905

Note 19. Director and related party disclosures

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

Peter James Cownley	John Hugh Ferguson
Raymond Richard Gregson	Bernard John Cole-Sinclair
Lynette Joy Collier	Melissa Jacquier
Lisa Maree Kennedy	

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

	2017 \$	2016 \$
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Transactions with related parties:

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.

7,600	7,050
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	2017	2016
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Directors' Shareholdings

Peter James Cownley	1,000	1,000
Raymond Richard Gregson	501	501
Lynette Joy Collier	5,500	5,500
Lisa Maree Kennedy	1,701	1,701
John Hugh Ferguson	1,000	1,000
Bernard John Cole-Sinclair	-	-
Melissa Jacquier	-	-

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

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 20. Dividends paid or provided		
a. Dividends paid during the year		
Current year dividend		
100% (2016: 100%) franked dividend - 10 cents (2016: 10 cents) per share	53,000	53,000
The tax rate at which dividends have been franked is 28.5% (2016: 28.5%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	635,234	680,319
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	25,695	(45,085)
- 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:	660,929	635,234
- 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	660,929	635,234

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 of the Branch Manager is to maintain remuneration parity within 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.

The directors received remuneration including superannuation, as follows:

	2017 \$	2016 \$
Peter James Cownley	5,974	6,077
Raymond Richard Gregson	-	-
Lynette Joy Collier	-	-
Lisa Maree Kennedy	3,811	4,326
John Hugh Ferguson	-	-

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 21. Key management personnel disclosures (continued)		
Bernard John Cole-Sinclair	1,648	927
Melissa Jacquier	824	-
Richard Warden Shaw (Retired 31 December 2015)	-	1,355
	12,257	12,685

Note 22. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	71,736	61,725
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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.

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

Notes to the financial statements (continued)

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					
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 %	2016 %
Financial assets												
Cash and cash equivalents	104,979	19,225	1,129,446	1,173,279	-	-	-	-	-	-	2.47	2.95
Receivables	-	-	-	-	-	-	-	-	70,002	66,220	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	-	0.00	0.00
Payables	-	-	-	-	-	-	-	-	22,027	35,730	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

Notes to the financial statements (continued)

Note 27. Financial instruments (continued)

Sensitivity Analysis (continued)

As at 30 June 2017, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2017	2016
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	12,344	11,925
Decrease in interest rate by 1%	12,344	11,925
Change in equity		
Increase in interest rate by 1%	12,344	11,925
Decrease in interest rate by 1%	12,344	11,925

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 2017 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.



Peter James Cownley,
Chairman

Signed on the 1st September 2017.

Independent audit report



Partners in success

Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

Independent auditor's report to the members of 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 2017 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: 31 August 2017



David Hutchings
Lead Auditor

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