Annual Report 2017

Apollo Bay & District Community Enterprises Limited

ABN 79 127 944 923

Apollo Bay & District **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2017

Five years ago I presented my first Annual Report, at the time it was the fifth Annual Report of our **Community Bank**® company.

On behalf of the Board of Directors I now present my last Annual Report to the shareholders of Apollo Bay & District Community Enterprises Limited, before stepping down from the Board.

Five years ago the banking world was still reeling from the implications of the Global Financial Crisis. However at that time the **Community Bank**® companies across Australia continued to move from strength to strength. At the time **Community Bank**® branches had invested more than $80 million back into their local communities; now, five years on that figure is $165 million.

For our **Community Bank**® company the Board and I are proud to advise shareholders the business has achieved a second year of profit and we believe our **Community Bank**® company is on a solid footing for the future.

We continue to pay down debt and the prospect of paying a dividend to our shareholders is in sight.

This year the Board farewelled a long-standing Director, Trish Hokin. Trish has been involved since the very beginning, when the idea of Apollo Bay having its own **Community Bank**® branch was only an idea. Her tireless work as the Company Secretary, deserves the recognition of our community with her dedication pivotal to the successful operation of the Board.

I am pleased to acknowledge a new member to our Board this year, a member of our community who, I believe, understands the worth in volunteering their time to help steer our **Community Bank**® company. The Board has warmly welcomed new Director Helen Masters.

I would like to thank my fellow volunteer Board members for their dedication toward the successful operation of the branch, the Board, and for importantly communicating with our greater community the benefits that our **Community Bank**® company brings to our community.

However my greatest thanks belong to our staff who drive the success of our business and are the face of our **Community Bank**® branch. In particular the work of our Branch Manager, Jenny Rippon, deserves mention. It is her energy and commitment to our community that has in large part created two profitable years. As Jenny will tell anyone it is all about the team and that is true and our staff have done a fantastic job under her leadership. On behalf of the Board, I do thank our staff members for their fantastic efforts in providing great customer service. Our staff, the public face of our **Community Bank**® branch, place a high value not only on our customers' confidentiality, but also in ensuring that their needs are met in a professional, helpful and friendly manner.

Finally it is worth remembering, a **Community Bank**® company keeps community capital and profit in the community for the benefit of the whole community, with its strength and growth based firmly in the ongoing support of its community.

By owning our own banking business we all, shareholders, Directors, employees and account holders become, in part, the Directors of our own destiny.

Gary McPike
Chairman

Manager's report

For year ending 30 June 2017

The 2016/17 financial year proved to be another successful year of building our business and connecting with our community!

At the close of business 30 June 2017, we achieved branch deposit growth of $3.4 million, and branch lending growth of $2.1 million. This was balanced against considerable debt pay down by our Business Banking customers of $5.5 million, all part of the ebb and flow of banking.

Importantly the growth in business underpinned the second year of operating profit for our community business.

Our customer numbers continue to increase year on year, and in 2017 we experienced strong growth opening 272 new accounts, compared with 247 new accounts for the year before.

We continue to welcome new customers to our branch both from the other banks in town who move to us due to our efficient service and community connection. We have also seen a steady flow of business from new residents coming to town and looking for a local bank.

We achieved 100% of our target over the counter insurance sales resulting in 60 new insurance policies created.

During the 2016/17 financial year, we continued to share our community message. Most of my work in this area took place outside of branch hours as I attended many community events. These included the local school fete, the Apollo Bay Surf Club presentation afternoon, netball presentation evening, The Apollo Bay Seafood Festival (I was actually in the pig suit!), photo shoots with the local CFA and Boomerang Bags Committee, volunteering at the local Youth Club, cooking meals for our youth on a Friday night, helping in the football canteen on a Saturday and finally helping over the weekend of the Great Ocean Road Marathon.

I also visited many organisations to spread our message of our great bank doing great things, and this included speaking at our local school about our amazing youth program Camp Awakenings and the Driver Education program.

This financial year we also cemented a partnership with the largest employer in town, Otway Health and Community services, assisting to run a Women's Health Night, selling 'little blue towels' and sharing their marquee space over the Seafood Festival

During 2016/17, we lost much loved staff member Roz, leaving to run her own business, and gained the lovely Jackie Miller in her place. Our staff team, Jo, Jackie, Bronwyn and Sam have continued to work hard to build our business and support our community, with Sam helping over the Seafood Festival weekend, and Jo volunteering for the local Meals on Wheels program.

I wish to sincerely thank each of them for their commitment during 2016/17.

Thank you also to our Board members who provide us with support, and encouragement. They put in many hours of community work themselves, and provide the vital oversight of our business. Thanks to each of you for your commitment to our branch and our community during the past year.

My gratitude also extends to our shareholders who supported the vision of a local **Community Bank**® branch so long ago. We are working hard to support your investment now and into the future.

My final thanks must go to our customers and community, as they are at the core of our business.

We will continue to put them first in all that we do, and we are looking forward to a successful 2018.

Jenny Rippon
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2017

As we approach 20 years since the first **Community Bank**® branch opened its doors, it's timely to reflect on the role of our network's 70,000-strong shareholders and its army of nearly 2,000 passionate local Directors.

As a group of people you are a powerful force that continues to influence change both locally and nationally.

United for a shared purpose in your communities, you are making big things happen beyond the delivery of great banking products and services; you're creating jobs, helping businesses to thrive, solving problems and achieving outcomes that will make your communities better places to live and do business.

Amongst other things, you are providing hundreds of thousands of people in communities around Australia with new opportunities to:

- Play sport in new **Community Bank**® funded centres.
- Continue their education thanks to a **Community Bank**® scholarship.
- Seek treatment in hospitals closer to home with equipment funded through a **Community Bank**® grant.
- Reap the environmental benefits of **Community Bank**® funded solar panels and LED lighting, and
- Access mental health services for teenage children with a service supported by a local **Community Bank**® branch.

In fact, since the model's inception your investment in local communities exceeds $165 million and that figure continues to grow every year. This amount excludes the significant co-investment on key projects that many companies have obtained from Government and other parties.

Nationally our voices are increasingly being heard, and our collaborative approach recognised and celebrated.

Representing us all at a recent forum at Canberra's Parliament House, Bendigo Bank's Managing Director and Chairman reinforced the significance of the **Community Bank**® model's achievements and called for regulatory change that would help us compete in a crowded and ever-evolving banking sector. Just two months later, the Federal Government announced a levy on Australia's biggest banks that is set to re-level the playing field as we've regularly advocated for.

But for us this is more than a levy. The Turnbull Government's announcement recognises the importance of customers having access to a robust, competitive and customer-focused banking sector. On this note Bendigo Bank was recently recognised as the banking provider of choice in the annual Mozo People's Choice Awards. Better yet, out of 110 banking providers nationally, we were the only bank recognised in all eight banking categories – and were rated the leading bank in six of those eight categories.

This is an extraordinary achievement for you and our bank. Not only does it demonstrate that, in the eyes of our customers, we are doing something right – it very clearly outlines that together we can continue to achieve results.

As we've long known, the more successful our customers are, the stronger our communities become. In this regard the **Community Bank**® model enables these outcomes for customers and communities, as increasingly recognised by more and more Australians.

So thank you for your investment in your local **Community Bank**® company, for your ongoing contribution and support, tireless advocacy and continued commitment to building strong local communities. Without this, our **Community Bank**® branches would be just another bank.

Robert Musgrove
Executive Engagement Innovation

Directors' report

For the financial year ended 30 June 2017

The Directors present their report of the company for the financial year ended 30 June 2017.

Directors

The following persons were Directors of Apollo Bay & District Community Enterprises Limited during or since the end of the financial year up to the date of this report:

Gary William McPike

Chairman and Director

Experience and expertise: Gary has been a 'local' for almost 35 years, firstly as a fire wood merchant and cartage contractor in the early 80's, this was followed by 16 years as the proprietor of the Sandy Feet Cafe. Gary was the Executive Officer of the foreshore committee of management from 2002 to 2015. Gary has also had a strong commitment to many facets of community life in Apollo Bay, being a founding member of the Apollo Bay Music Festival and President for 7 years until 2002, he has also been a president of the Rotary Club of Apollo Bay Otways, President of the Apollo Bay Youth Club Inc. and the Apollo Bay Community Website Inc. as well a member of the Apollo Bay Aquatic Centre Inc. Committee. Gary is currently General Manager of the Barwon Coast Committee of Management and while residing in Clifton Springs maintains a property in Marengo.

Other current Directorships:

Former Directorships in last 3 years:

Special responsibilities: Finance committee

Ian Malcolm Richardson

CPA Director

Experience and expertise: Ian is a CPA Qualified Accountant. He is currently Treasurer of the Apollo Bay Golf Club Inc. Previously Finance Director of Croda Australia Group.

Other current Directorships:

Former Directorships in last 3 years:

Special responsibilities: Finance committee

Patricia Lorraine Hokin

Secretary

Experience and expertise: Trish has been with the company since its inception and was also part of the original Steering Committee. She is a retired business proprietor with both legal and company secretarial experience and is involved in many aspects of the Apollo Bay community.

Other current Directorships:

Former Directorships in last 3 years:

Special responsibilities: Marketing & Sponsorship committee.

Robert George Hunt

Director

Experience and expertise: Rob was the architect of Bendigo Bank's **Community Bank**® model and Managing Director and CEO of Bendigo and Adelaide Bank 1990-2009. Among his numerous Directorships are: Community Sector Enterprises Pty Ltd, Community Sector Banking Pty Ltd, Bendigo Community Telco and Community Telco Australia. He is also Patron-in-Chief of Community Enterprise Foundation and Patron of St Luke's Anglicare.

Other current Directorships:

Former Directorships in last 3 years:

Special responsibilities:

Directors (continued)

James Dominic Walters

Director

Experience and expertise: James has been involved in many of the community's organizations as a member of the school council and the youth club and brings an awareness of many local issues that impact on our community. James also enjoys connecting with people in the area.

Other current Directorships:

Former Directorships in last 3 years:

Special responsibilities: Convenor of Marketing & Sponsorship committee.

Andrea Maree Deppler

Director (Resigned 22/11/16)

Experience and expertise: Andrea presently works in the Health Industry as an Accountant at Otway Health and Finance Coordinator at Lorne Hospital. She has a Bachelor of Accounting and, prior to life in Apollo Bay, spent many years working for an Advertising and Strategic Branding Agency in Melbourne. Having ancestral links to the region, she is very interested in the health and prosperity of this community. She was the Treasurer of the Apollo Bay Preschool for two years and is a member of the Sailing Club.

Other current Directorships:

Former Directorships in last 3 years:

Special responsibilities:

Leanne Maree Carr

Director

Experience and expertise: Leanne has been living in the Apollo Bay community for 25 years. During this time she has been employed at Great Ocean Hotel as Office Manager, staff member of the Commonwealth Bank and prior to recent retirement was employed by VicPol for 15 years as an unsworn member at Apollo Bay Police station. Leanne was a founding member of the Apollo Bay Music Festival and Treasurer for 2 years. Currently Treasurer for the Apollo Bay Football Club.

Other current Directorships:

Former Directorships in last 3 years:

Special responsibilities: Marketing & Sponsorship committee.

Georgine Orchard

Director

Experience and expertise: I have worked in general practice for 15 years the last 9 as the practice manager of Apollo Bay General Practice, part of my position with Australian Health Industry Group our parent company is as a consultant reviewing other medical practices. Prior to moving to Apollo Bay I worked in the import/export industry with a Japanese trading company in Melbourne.

Other current Directorships:

Former Directorships in last 3 years:

Special responsibilities:

Directors (continued)

Meredith Louise Anne Hagan

Director

Experience and expertise: Merri is a marketing, sales and PR professional, specialising in live entertainment. Prior to moving to Apollo Bay, she was Head of Marketing and PR with the Melbourne Symphony Orchestra after returning home from the USA where she resided for five years working for Cirque du Soleil as the Marketing and PR Director for North America, in Las Vegas. Merri is an active member of the community, participating in many voluntary activities, including being on the Committee of the Apollo Bay Seafood Festival and serving as part of the Apollo Bay Destination Leadership Group. She has a Bachelor of Communications from Monash University.

Other current Directorships:

Former Directorships in last 3 years:

Special responsibilities: Marketing & Sponsorship committee.

Helen Lannah Masters

Director (Appointed 27/4/17)

Experience and expertise: Helen's career has been mainly in education, working across most sectors including schools and university. Her work with the State Government's Department of Education and Training included management responsibilities within the Minister's office, in HR, supporting the Adult Education Board and most recently, running the business operations of the International Student Division.

Helen is a National Director of the Australian Limousin Breeders Society, a Director of the Southern Otway Landcare Network, Treasurer of the Otway Coast Regenerative Farmers, committee member of the Apollo Bay Agricultural Society and an office bearer or member of numerous other groups.

She brings to the Board strong governance, risk management and communication skills.

Other current Directorships:

Former Directorships in last 3 years:

Special responsibilities: Finance committee

Patrisha Teresa O'Donnell

(Appointed 25/10/16)

Experience and expertise: With over 25 years' experience on a global platform, Trisha has worked in London, Dublin and Melbourne mainly within the Technology and Finance sectors. Recently, Trisha held a Board position with the Irish Australian Chamber of Commerce in Melbourne focusing on developing their mentoring program. On arrival in Apollo Bay in 2015, Trisha has worked with Great Ocean Properties as a Real Estate Agent, but now runs her own company called Apollo Bay Breaks, this is a boutique holiday property management company. Trisha holds a degree in Business Management and is a qualified trainer and is currently study for her NLP Practitioner certification.

Other current Directorships:

Former Directorships in last 3 years:

Special responsibilities: Finance committee

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings		Marketing meetings		Finance meetings	
	A	B	A	B	A	B
Gary William McPike	10	8	-	-	2	-
Ian Malcolm Richardson	10	9	-	-	2	2
Patricia Lorraine Hokin	10	8	5	5	-	-
Helen Lannah Masters (appointed 27/4/17)	2	2	-	-	2	2
James Dominic Walters	10	9	5	3	-	-
Robert George Hunt	10	4	-	-	-	-
Patrisha Teresa O'Donnell (appointed 25/10/16)	7	3	-	-	-	-
Andrea Maree Deppeler(Resigned 22/11/16)	5	4	-	-	-	-
Leanne Maree Carr	10	7	5	2	-	-
Georgina Orchard	10	9	-	-	-	-
Meredith Louise Anne Hagan	10	8	5	5	-	-

A - The number of meetings eligible to attend.
B - The number of meetings attended.

Secretary

The company secretary is Patricia Lorraine Hokin. Patricia was appointed to the position of Secretary since its inception. Patricia has been part of the original marketing committee. Patricia is a retired business proprietor with both legal and business secretarial experience.

Review of operations

The profit/(loss) of the company for the financial year after provision for income tax was $56,706 (2016, $21,446)

Dividends

No dividends paid or declared have been made since the start of the financial year.

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

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.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or 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 any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set in this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Non-audit services

The Board of Directors are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- none of the services undermine the general principles relating to Auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Remuneration report

Remuneration benefits and payments

Other than detailed below, 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. 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.

Remuneration report (continued)

Remuneration benefits and payments (continued)

The estimated benefit per Director is as follows:

	2017 $	2016 $
Gary William McPike	-	-
Ian Malcolm Richardson	5040	3,650
Patricia Lorraine Hokin	-	-
Helen Lannah Masters	-	-
James Dominic Walters	352	509
Robert George Hunt	-	-
Bettina Jane Terry	-	-
Andrea Maree Deppeler	-	700
Leanne Maree Carr	-	291
Patricia Teresa O'Donnell	-	-
Georgina Orchard	-	-
Meredith Louise Anne Hagan	-	-
	5,392	**5,150**

Equity holdings of key management personnel

The number of ordinary shares in the company held during the financial year and prior year by each Director and other key management personnel, including their related parties, are set out below:

Name	Balance at 30 June 2016	Net change in holdings	Balance at 30 June 2017
Directors			
Gary William McPike	500	-	500
Ian Malcolm Richardson	-	-	-
Patricia Lorraine Hokin	10,002	-	10,002
James Dominic Walters	1,000	-	1,000
Robert George Hunt	-	-	-
Helen Lannah Masters	-	-	-
Andrea Maree Deppeler	-	-	-
Leanne Maree Carr	-	-	-
Georgina Orchard	-	-	-
Patricia Teresa O'Donnell	-	-	-
Georgina Orchard	-	-	-

Directors' report (continued)

Remuneration report (continued)

<u>Loans to key management personnel</u>

There were no loans to key management personnel during the current or prior reporting period.

Signed in accordance with a resolution of the Board of Directors at Apollo Bay on 23 August 2017.

Gary William McPike
Chairman and Director

Auditor’s independence declaration

Mark SP Wilkinson
ABN 46 472 629 469
Registered Company Auditor 4485

7 September 2017

The Directors
Apollo Bay & District Community Enterprises
Limited
PO Box 348
APOLLO BAY VIC 3233

Dear Directors,

To the Directors of Apollo Bay & District Community Enterprises Limited (ABN 79 127 944 923)

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*.

I declare that to the best of my knowledge and belief, during the year ended 30 June 2017 there has been:

(i) No contraventions of the auditor independence requirements as set out in 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.

Mark Stuart Pressland Wilkinson
Registered Company Auditor 4485
6 Kintyre Crescent
Leopold Victoria 3224

Financial statements

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

	Notes	2017 $	2016 $
Revenue	2	479,421	474,993
Expenses			
Employee benefits expense	3	(248,199)	(270,569)
Depreciation and amortisation	3	(19,514)	(19,245)
Administration and general costs		(46,157)	(64,308)
Finance costs		-	-
Bad and doubtful debts expense	3	-	-
Occupancy expenses	3	(47,600)	(45,843)
IT costs	3	(18,772)	(20,343)
Other expenses	3	(36,674)	(33,239)
		-	-
		-	-
Operating profit / (loss) before charitable donations and sponsorships		**62,505**	**21,446**
Charitable donations and sponsorships		-	-
Profit / (loss) before income tax		**62,505**	**21,446**
Income tax expense / (benefit)	4	-	-
Profit/(loss) for the year		**62,505**	**21,446**
Other comprehensive income		-	-
Total comprehensive income for the year		**62,505**	**21,446**
Profit / (loss) attributable to members of the company		62,505	21,446
Total comprehensive income attributable to members of the company		**62,505**	**21,446**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share		8.65	2.97

These financial statements should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 30 June 2017

	Notes	2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents	5	200	200
Trade and other receivables	6	48,315	43,999
Financial assets	7	-	-
Current tax asset	4	-	-
Other assets	8	-	-
Total current assets		**48,515**	**44,199**
Non-current assets			
Property, plant and equipment	9	91,602	96,979
Intangible assets	10	10,382	24,226
Deferred tax assets	4	-	-
Total non-current assets		**101,984**	**121,205**
Total assets		**150,499**	**165,404**
Liabilities			
Current liabilities			
Trade and other payables	11	22,484	41,482
Current tax liability	4	-	-
Borrowings	12	396,506	455,409
Provisions	13	20,063	19,736
Total current liabilities		**439,053**	**516,627**
Non-current liabilities			
Borrowings	12	-	-
Provisions	13	9,045	8,881
Deferred tax liability	4	-	-
Total non-current liabilities		**9,045**	**8,881**
Total liabilities		**448,098**	**525,508**
Net assets		**(297,599)**	**(360,104)**
Equity			
Issued capital	14	696,162	696,162
Retained earnings / (Accumulated losses)	15	(993,761)	(1,056,266)
Reserves	16	-	-
Total equity		**(297,599)**	**(360,104)**

These financial statements should be read in conjunction with the accompanying notes.

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

	Note	Issued capital $	Retained earnings $	Reserves $	Total equity $
Balance at 1 July 2015		696,162	(1,077,712)	-	(381,550)
Profit / (loss) for the year		-	21,446	-	21,446
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		**-**	**-**	**-**	**-**
Transactions with owners, in their capacity as owners					
Shares issued during the year		-	-	-	-
Dividends paid or provided	25	-	-	-	-
Balance at 30 June 2016		**696,162**	**(1,056,266)**	**-**	**(360,104)**
Balance at 1 July 2016		696,162	(1,056,266)	-	(360,104)
Profit / (loss) for the year		-	62,505	-	62,505
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		**-**	**-**	**-**	**-**
Transactions with owners, in their capacity as owners					
Shares issued during the year		-	-	-	-
Dividends paid or provided	25	-	-	-	-
Balance at 30 June 2017		**696,162**	**(993,761)**	**-**	**(297,599)**

These financial statements should be read in conjunction with the accompanying notes.

Statement of Cash Flows
for the year ended 30 June 2017

	Notes	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		479,421	474,993
Payments to suppliers and employees		(406,673)	(471,730)
Dividends received			
Interest paid			-
Interest received			
Income tax paid			
Net cash provided by / (used in) operating activities	**17b**	**72,748**	**3,263**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment			
Payments for intangible assets		(13,845)	(13,844)
Purchase of property, plant and equipment			
Purchase of investments			
Purchase of intangible assets			
Net cash flows from / (used in) investing activities		**(13,845)**	**(13,844)**
Cash flows from financing activities			
Proceeds from borrowings			
Repayment of borrowings			
Dividends paid			
Net cash provided by / (used in) financing activities		**-**	**-**
Net increase / (decrease) in cash held		**58,903**	**(10,581)**
Cash and cash equivalents at beginning of financial year		(455,209)	(444,628)
Cash and cash equivalents at end of financial year	**17a**	**(396,306)**	**(455,209)**

These financial statements should be read in conjunction with the accompanying notes.

Notes to the financial statements

For year ended 30 June 2017

These financial statements and notes represent those of Apollo Bay & District Community Enterprises Limited.

Apollo Bay & District Community Enterprises Limited ('company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 23 August 2017.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branch at Apollo Bay.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank", the logo, and systems of operation of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**® branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**® branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

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 Managers 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; and
- Sale techniques and proper customer relations.

Note 1. Summary of significant accounting policies (continued)

(b) Income tax

The income tax expense / (income) for the year comprises current income tax expense / (income) and deferred tax expense / (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/ (assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

(c) Fair value of assets and liabilities

The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant’s ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are measured at cost and therefore are carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of land and buildings is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

Note 1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Property (continued)

The carrying amount of land and buildings is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land , is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of asset	Rate	Method
Buildings	3%	SL / DV
Leasehold improvements	4-5%	SL / DV
Plant and equipment	10-20%	SL / DV
Motor vehicles	13%	SL / DV

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Note 1. Summary of significant accounting policies (continued)

(e) 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 recognising 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 recognised as expenses in the periods in which they are incurred.

(f) Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(g) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(h) Employee benefits

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

Note 1. Summary of significant accounting policies (continued)

(h) Employee benefits (continued)

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(i) Intangible assets

Establishment costs and franchise fees have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation in the Statement of Profit or Loss and Other Comprehensive Income.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(k) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

Interest revenue is recognised on a time proportional basis that taken into account the effective yield on the financial asset.

Dividend revenue is recognised when the right to the income has been established.

Rental income is recognised on a straight line basis over the lease term.

All revenue is stated net of the amount of goods and services tax (GST).

(l) Investments and other financial assets

(i) Classification

The company classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held to maturity investments, and
- available for sale assets.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(i) Classification (continued)

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term with the intention of making a profit. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The company has not designated any financial assets at fair value through profit or loss.

Loans and receivables

This category is the most relevant to the company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Held to maturity investments

The group classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Available for sale financial asset

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(ii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(ii) Measurement (continued)

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

(iii) Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(ii) Measurement (continued)

Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(iv) Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire 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. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when ther eis objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

(n) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measures at amortised cost. Any diference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings as classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Note 1. Summary of significant accounting policies (continued)

(q) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(r) Dividends

Provision is made for the amount of any dividends declared being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year, but not distributed at balance date.

(s) New and amended accounting policies adopted by the company

There are no new and amended accounting policies that have been adopted by the company this financial year.

(t) Comparative figures

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

(u) Earnings per share

<u>Basic earnings per share</u>

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servcing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjsuted for bonus elements in ordinary shares issues during the year.

(v) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018).

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on:

(i) the objective of the entity's business model for managing the financial assets; and

(ii) the characteristics of the contractual cash flows.

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

Note 1. Summary of significant accounting policies (continued)

(v) New accounting standards for application in future periods (continued)

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018). (continued)

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
- the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

In May 2015, the AASB issued ED 260 Income of Not-forProfit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

Note 1. Summary of significant accounting policies (continued)

(v) New accounting standards for application in future periods (continued)

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018). (continued)

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

(iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

(w) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

<u>Estimation of useful lives of assets</u>

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

<u>Fair value assessment of non-current physical assets</u>

The AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

<u>Employee benefits provision</u>

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

<u>Income tax</u>

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Note 1. Summary of significant accounting policies (continued)

(w) Critical accounting estimates and judgements (continued)

Impairment

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

	2017 $	2016 $

Note 2. Revenue

Revenue		
- services commissions	479,421	474,959
	479,421	**474,959**
Other revenue		
- interest received	-	-
- other revenue	-	34
	-	**34**
Total revenue	**479,421**	**474,993**

Note 3. Expenses

Profit before income tax inculdes the following specific expenses:		
Employee benefits expense		
- wages and salaries	215,254	229,556
- superannuation costs	21,480	21,622
- other costs	11,465	19,391
	248,199	**270,569**
Depreciation and amortisation		
Depreciation		
- plant and equipment	1,126	858
- leasehold improvements	4,543	4,543
- buildings	-	-
	5,669	**5,401**
Amortisation		
- franchise fee	13,845	13,844
	13,845	**13,844**
Total depreciation and amortisation	**19,514**	**19,245**

	2017 $	2016 $
Note 3. Expenses (continued)		
Finance costs		
- Interest paid	-	-
Bad and doubtful debts expenses	-	-
Occupancy cost	47600	45,843
IT equipment Lease	6179	5,613
IT running costs	7129	8,755
IT support costs	5464	5,975
Total IT costs	**18772**	**20,343**
Other expenses		
- marketing and sponsorship	18,149	9,194
- insurance	12,414	17,084
- printing and stationery	6,111	6,961
- other		
Total	**36,674**	**33,239**
(Gain) / Loss on disposal of property, plant and equipment	-	-
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	2,750	2,700
- Taxation services	-	-
- Share registry services	-	-
	2,750	**2,700**

Note 4. Income tax

a. The components of tax expense / (income) comprise:

	2017 $	2016 $
Current tax expense / (income)	-	-
Deferred tax expense / (income) relating	-	-
Recoupment of prior year tax losses	-	-
Under / (over) provision of prior years	-	-
	-	**-**

	2017 $	2016 $
Note 4. Income tax (continued)		
b. Prima facie tax payable		
The prima facie tax on profit / (loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit / (loss) before income tax at 28.5%	62,505	21,446
Add tax effect of:		
- Utilisation of previously unrecognised carried forward tax losses	(62,505)	(21,446)
- Under / (over)provision of prior years	-	-
- Non-deductible expenses	-	-
Income tax attributable to the entity	**-**	**-**
The applicable weighted average effective tax rate is	0.00%	0.00%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	-	-
Income tax paid	-	-
Current tax	-	-
Under / (over) provision prior years	-	-
	-	**-**
d. Deferred tax asset / (liability)		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Provision for doubtful debts	-	-
Prepayments	-	-
Property, plant & Equipment	-	-
Accruals	-	-
Employee provisions	-	-
Unused tax losses	-	-
	-	**-**
Deferred tax liabilities balance comprises:		
Accrued income	-	-
Property, plant & Equipment	-	-
	-	**-**
Net deferred tax asset / (liability)	**-**	**-**
Total carried forward tax losses not recognised as deferred tax assets	-	-

	2017 $	2016 $

Note 4. Income tax (continued)

e. Deferred income tax (revenue)/expense included in income tax expense comprises:

	2017 $	2016 $
Decrease / (increase) in deferred tax assets	-	-
(Decrease) / increase in deferred tax liabilities	-	-
Under / (over) provision prior years	-	-
	-	**-**

Note 5. Cash and cash equivalents

	2017 $	2016 $
Cash at bank and on hand	200	200
	200	**200**

Note 6. Trade and other receivables

Current

	2017 $	2016 $
Trade receivables	43,315	43,999
Prepayments	5,000	-
	48,315	**43,999**

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

Note 6. Trade and other receivables (continued)

Credit risk (continued)

	Gross amount $	Past due and impaired $	Past due but not impaired < 30 days $	Past due but not impaired 31-60 days $	Past due but not impaired > 60 days $	Not past due $
2017						
Trade receivables	43,315	-	-	-	-	43,315
Other receivables		-	-	-	-	
Total	**43,315**	**-**	**-**	**-**	**-**	**43,315**
2016						
Trade receivables	43,999	-	-	-	-	43,999
Other receivables	-	-	-	-	-	-
Total	**43,999**	**-**	**-**	**-**	**-**	**43,999**

	2017 $	2016 $

Note 7. Financial assets

Held to maturity financial assets		
Term deposits		
Available for sale financial assets		
Listed investments	-	-
	-	**-**

Note 8. Other assets

Prepayments	-	-
Security bond	-	-
Other	-	-
	-	**-**

Note 9. Property, plant and equipment

Land		
At cost	-	-
Buildings		
At cost	-	-
Less accumulated depreciation	-	-
	-	**-**

	2017 $	2016 $
Note 9. Property, plant and equipment (continued)		
Leasehold improvements		
At cost	146,218	146,218
Less accumulated depreciation	(67,472)	(62,929)
	78,746	**83,289**
Plant and equipment		
At cost	50,142	49,850
Less accumulated depreciation	(37,286)	(36,160)
	12,856	**13,690**
Total property, plant and equipment	**91,602**	**96,979**
Movements in carrying amounts		
Land		
Balance at the beginning of the reporting period	-	-
Additions	-	-
Disposals	-	-
Depreciation expense	-	-
Balance at the end of the reporting period	**-**	**-**
Buildings		
Balance at the beginning of the reporting period	-	-
Additions	-	-
Disposals	-	-
Depreciation expense	-	-
Balance at the end of the reporting period	**-**	**-**
Leasehold improvements		
Balance at the beginning of the reporting period	83,289	87,832
Additions	-	-
Disposals		-
Depreciation expense	(4,543)	(4,543)
Balance at the end of the reporting period	**78,746**	**83,289**
Plant and equipment		
Balance at the beginning of the reporting period	13,690	14,548
Additions	-	-
Disposals	-	-
Depreciation expense	(834)	(858)
Balance at the end of the reporting period	**12,856**	**13,690**

Notes to the financial statements (continued)

	2017 $	2016 $
Note 9. Property, plant and equipment (continued)		
Total property, plant and equipment		
Balance at the beginning of the reporting period	96,979	102,380
Additions	-	-
Disposals	-	-
Depreciation expense	-5,377	-5,401
Balance at the end of the reporting period	**91,602**	**96,97 9**

Note 10. Intangible assets

	2017 $	2016 $
Franchise fee		
At cost	21,537	21,537
Less accumulated amortisation	(19,807)	(17,500)
	1,730	**4,037**
Renewal processing fee		
At cost	57,684	57,684
Less accumulated amortisation	(49,032)	(37,495)
	8,652	**20,189**
Total intangible assets	**10,382**	**24,226**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	4,037	6,345
Additions	-	-
Disposals	-	-
Amortisation expense	(2,307)	(2,308)
Balance at the end of the reporting period	**1,730**	**4,037**
Renewal processing fee		
Balance at the beginning of the reporting period	20,189	31,726
Additions	-	-
Disposals	-	-
Amortisation expense	(11,537)	(11,537)
Balance at the end of the reporting period	**8,652**	**20,189**

Notes to the financial statements (continued)

	2017 $	2016 $

Note 10. Intangible assets (continued)

Total intangible assets		
Balance at the beginning of the reporting period	24,226	38,071
Additions	-	-
Disposals	-	-
Amortisation expense	-13,844	-13,845
Balance at the end of the reporting period	**10,382**	**24,226**

Note 11. Trade and other payables

Current		
Unsecured liabilities:		
Trade creditors	5,420	7,930
Other creditors and accruals	17,064	33,552
	22,484	**41,482**

The average credit period on trade and other payables is one month.

Note 12. Borrowings

Current		
Unsecured liabilities		
Bank overdraft	396,506	455,409
Secured liabilities		
Bank loan	-	-
Finance leases	-	-
	396,506	**455,409**
Non-current		
Unsecured liabilities		
Bank overdraft	-	-
Other creditors and accruals	-	-
Secured liabilities		
Bank loan	-	-
Finance leases	-	-
	-	**-**

	2017 $	2016 $

Note 13. Provisions

	2017 $	2016 $
Current		
Employee benefits	20,063	19,736
Non-current		
Employee benefits	9,045	8,881
Total provisions	**29,108**	**28,617**

	2017 $	2016 $
13a. Tax balances		
(a) Tax assets		
Current		
Income tax receivable	-	-
	-	**-**
Non-current		
Deferred tax asset comprises:		
- tax losses carried forward	(283,222)	(301,036)
- Provisions	-	-
	(283,222)	**(301,036)**
(b) Tax liabilities		
Current		
Income tax payable	-	-
	-	**-**

Note 14. Share capital

	2017 $	2016 $
Ordinary shares fully paid	722,810	722,810
Bonus shares issued for no consideration	-	-
Less: Equity raising costs	(26,648)	(26,648)
	696,162	**696,162**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	722,810	722,810
Shares issued during the year	-	-
At the end of the reporting period	**722,810**	**722,810**

Note 14. Share capital (continued)

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

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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 Statement of Financial Position.

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

(i) the Distribution Limit is the greater of:

 (a) 20% of the profit or funds of the company 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; and

(ii) 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 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

Note 15. Retained earnings / (accumulated losses)

	2017 $	2016 $
Balance at the beginning of the reporting period	(1,056,266)	(1,077,712)
Profit/(loss) after income tax	62,505	21,446
Revaluation reserve	-	-
Dividends paid	-	-
Balance at the end of the reporting period	**(993,761)**	**(1,056,266)**

	2017 $	2016 $

Note 16. Reserves

Asset revaluation reserve		
Balance at the beginning of the reporting period	-	-
Fair value movements during the period	-	-
Balance at the end of the reporting period	**-**	**-**

Note 17. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:

	2017 $	2016 $
Cash and cash equivalents (Note 5)	200	200
Less bank overdraft (Note 12)	(396,506)	(455,409)
As per the Statement of Cash Flow	**(396,306)**	**(455,209)**

(b) Reconciliation of cash flow from operations with profit after income tax

	2017 $	2016 $
Profit / (loss) after income tax	62,505	21,446
Non-cash flows in profit		
- Depreciation	5,669	5,401
- Amortisation	13,845	13,843
- Bad debts	-	
- Net (profit) / loss on disposal of property, plant & equipment	-	-
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(4,316)	(7,786)
- (increase) / decrease in prepayments and other assets	-	-
- (Increase) / decrease in deferred tax asset	-	-
- Increase / (decrease) in trade and other payables	(18,998)	(36,014)
- Increase / (decrease) in provisions	491	28,308
Net cash flows from / (used in) operating activities	**59,196**	**25,198**

(c) Credit standby arrangement and loan facilities

Not applicable.

Note 18. Earnings per share

	2017 $	2016 $
Basic earnings per share (cents)	9	3
Earnings used in calculating basic earnings per share	62,505	21,446
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share.	722,810	722,810

Note 19. Key management personnel and related party disclosures

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

The totals of remuneration paid to key management personnel of the company during the year are as follows:

	2017 $	2016 $
Short-term employee benefits	-	-
Post-employment benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
Total key management personnel compensation	**-**	**-**

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other key management personnel.

Post-employment benefits

These amounts are the current year's estimated cost of providing the company's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

Share-based payments

These amounts represent the expense related to the participation of key management personnel in equity-settled benefits schemes as measured by the fair value of the options, rights and shares granted on grant date.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

	2017	2016
Ian Malcolm Richardson – Accounting Services	$5,040	$3,650
James Dominic Walters – Electrical Services	$352	$509

Note 19. Key management personnel and related party disclosures (continued)

(c) Transactions with key management personnel and related parties (continued)

The Leopold Community Enterprises Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank®** Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits.

The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. Directors Privilege Package to be $xxxx for the year ended 30 June 2016. The estimated benefits per Director is as follows:

The Directors have estimated the total benefits received as nil.

	2017 $	2016 $
Gary William McPike	-	-
	-	**-**

(d) Key management personnel shareholdings

There has been no other transactions involving equity instruments other than those described above.

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

Note 20. Events after the reporting period

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

Note 21. Contingent liabilities and contingent assets

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

Note 22. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being <Place>, <State>. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2015: 100%).

	2017 $	2016 $

Note 23. Commitments

Operating lease commitments	**Nil**	**Nil**
Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.		
Payable:		
- no later than 12 months	-	-
- between 12 months and five years	-	-
- greater than five years	-	-
Minimum lease payments	**-**	**-**
The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance and with CPI increases each year.		

Finance lease commitments		
Finance lease liabilitis are payable exclusive of GST as follows:		
Payable:		
- no later than 12 months	-	-
- between 12 months and five years	-	-
- greater than five years	-	-
Minimum lease payments	**-**	**-**
Less future interest charges	-	-
Finance lease liability	**-**	**-**

Finance leases comprise leases of property, plant and equipment under normal commercial finance lease terms and conditions repayable over 5 years.

Note 24. Company details

The registered office is: 14 Pascoe Street Apollo Bay VIC 3233.

The principal place of business is 14 Pscoe Street Apollo Bay VIC 3233.

Note 25. Dividends paid or provided for on ordinary shares

	2017 $	2016 $
Dividends paid or provided for during the year		
Fully franked ordinary dividend.	nil	nil

Note 26. Financial risk management

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is assisted in the area of risk management by an internal audit function.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 Financial Instruments: Recognition and Measurement as detailed in the accounting policies are as follows:

	Note	2017 $	2016 $
Financial assets			
Cash and cash equivalents	5	200	200
Trade and other receivables	6	48,315	43,999
Financial assets	7	-	-
Total financial assets		**48,515**	**44,199**
Financial liabilities			
Trade and other payables	11	22,484	41,482
Borrowings	12	396,506	455,409
Bank overdraft	12	-	-
Total financial liabilities		**418,990**	**496,891**

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the table above.

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

Note 26. Financial risk management (continued)

(a) Credit risk (continued)

Credit risk exposures (continued)

None of the assets of the company are past due (2016: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

30 June 2017	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	-%	200	200	-	-
Trade and other receivables	-%	48,315	48,315	-	-
Financial assets	-%	-	-	-	-
Total anticipated inflows		**48,515**	**48,515**	**-**	**-**
Financial liabilities					
Trade and other payables	-%	-	-	-	-
Borrowings	-%	-	-	-	-
Bank overdraft *	-%	-	-	-	-
Total expected outflows		**-**	**-**	**-**	**-**
Net inflow / (outflow) on financial instruments		**48,515**	**48,515**	**-**	**-**

Note 26. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	-%	200	200	-	-
Trade and other receivables	-%	43,999	43,999	-	-
Financial assets	-%	-	-	-	-
Total anticipated inflows		**44,199**	**44,199**	**-**	**-**
Financial liabilities					
Trade and other payables	-%	-	-	-	-
Borrowings	-%	-	-	-	-
Bank overdraft *	-%	-	-	-	-
Total expected outflows		**-**	**-**	**-**	**-**
Net inflow / (outflow) on financial instruments		**44,199**	**44,199**	**-**	**-**

* The Bank overdraft has no set repayment period and as such all has been included as current.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the company to interest rate risk are borrowings, fixed interest securities, and cash and cash equivalents.

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

Note 26. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

	Profit $	Equity $
Year ended 30 June 2017		
+/- 1% in interest rates (interest income)	2	2
+/- 1% in interest rates (interest expense)	3,965	3,965
	2	**2**
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	2	2
+/- 1% in interest rates (interest expense)	4,554	4,554
	2	**2**

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Directors' declaration

In accordance with a resolution of the Directors of Apollo Bay & District Community Enterprises Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 13 to 45 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2017 and of the performance for the year ended on that date;

2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

3. 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 resolution is made in accordance with a resolution of the Board of Directors.

Gary William McPike
Director / Chairman

Signed at Apollo Bay on 23 August 2017.

Independent audit report

Mark SP Wilkinson
ABN 46 472 629 469
Registered Company Auditor 4485

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF APOLLO BAY & DISTRICT COMMUNITY ENTERPRISES LIMITED
ABN 79 127 944 923

Report on the Financial Report

I have audited the accompanying financial report of Apollo Bay & District Community Enterprises Limited, which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives me 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I have conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*. I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Apollo Bay & District Community Enterprises Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

Mark SP Wilkinson
ABN 46 472 629 469
Registered Company Auditor

Auditor's Opinion

In my opinion:

(a) the financial report of Apollo Bay & District Community Enterprises Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Mark Stuart Pressland Wilkinson
Registered Company Auditor 4485
6 Kintyre Crescent
Leopold Victoria 3224

Dated: 7 September 2017

Liability limited by a scheme approved under Professional Standards Legislation.

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