Annual Report 2017

Kiewa Mitta Murray Community Enterprises Limited

ABN 87 126 422 062

Mount Beauty & District **Community Bank**® Branch

Contents

Cover – Acknowledgement

Cover photo: Ms. Jane Bunn, our special guest at the official opening of the Corryong Business Service Centre.

Picture: D. Morrison

Acknowledgement: We gratefully acknowledge the gracious permission of Jane Bunn at the opening day to allow us to use this photo for our publicity purposes.

Chairman's report

For year ending 30 June 2017

It gives me great pleasure to report on the progress of our company for the year ended 30 June 2017. Our enterprise has once again continued to develop and expand this year with further strong growth in our business. Kiewa Mitta Murray Community Enterprises Limited (KMMCEL) has matured as a company, now showing a consistent pattern of profits, dividends and community involvement.

During the year our Senior Manager, Mark Roffey, chose to resign from his position. We wish him well in his future endeavours and thank him for his efforts since our **Community Bank**® company was established in 2007.

Our Mount Beauty **Community Bank**® Branch Manager, Shelley Maher, has stepped up into the Senior Manager role. Shelley has been well supported by Customer Relationship Manager Lucinda Wiseman and Customer Relationship Officers Alana Goznik, Jo-Ellen Whitsed and Kate Butler in the lending area as, once again, we have well and truly exceeded our growth targets with business growth this year of over $22 million. Lynne Short, Emma Williams, Lisa McLuskey and our newest team member Jacquie Russell, have all provided great support and excellent service as proven by our business growth.

Since we opened in December 2007 our community coverage and activity has grown considerably. We continue to provide banking services to the Corryong community culminating in our new Corryong Business Centre which was officially opened by Jane Bunn in February despite the fact that we had occupied our new building for some months before that. Our new agency in the Supermarket at Tallangatta is developing well after a slow start. We now have a dedicated member of the IGA Supermarket team, Casey, helping to build relationships with existing and new customers in Tallangatta. Tangambalanga and the Mitta Valley also provide many new business opportunities. These ventures have been, and will continue to be, very important to our growth strategy and to our bottom line.

In the last 12 months, we have made a profit of $84,268 after tax and subject to final adjustments. This profit comes after a total of $183,114 was returned to our community by way of sponsorships and other charitable donations, so our notional profit was $267,382, a wonderful result. We have now returned over $600,000 to our local communities. In addition we continue to pay annual dividends to shareholders and last year this was 8¢ per share fully franked.

Community sponsorships are precisely the reason we decided to launch the **Community Bank**® branch and thus sought your support for the project. More and more local entities have been sponsorship recipients, and it is very pleasing to see the total distributions continue to grow. We have also sponsored six local students with scholarships to enable them to undertake university studies. Now that we have reached this level of profitability we are in a position to consider larger and more significant community projects that will be undertaken with the support of Local, State and Federal Government grants.

Mount Beauty & District **Community Bank**® Branch, Corryong Business Centre, Corryong agency and Tallangatta agency (through the franchise of KMMCEL) is a part of an ever-growing family of **Community Bank**® branches and we pay tribute to the foresight shown by the Bendigo Bank in developing the concept over the last 17 years. We have received great support from our Regional Manager, Mark Brown, Regional Community Manager, Kendall Beattie, and their team as well as the wider Bendigo Bank network.

Chairman’s report (continued)

Lastly, I wish to thank all Board members for their efforts. Director Max Grigg retired from the Board on his relocation to Melbourne, and we thank him for his service. We welcome Luke Heiser to our Board as his replacement and a representative of Upper Murray. I would like particularly to acknowledge the vast amount of time and effort put in by our Secretary, Dorothy Morrison. I would also like to recognise the work of Barb Pyle and the other members of the Sponsorship and Marketing Committee.

As Chairman, I am proud to be associated with an outstanding success story and look forward to its continuation. Your support for this venture has strengthened our communities and we will be able to do even more in the future now that we have achieved a solid base to build on.

Andrew Randell
Chairman

Manager’s report

For year ending 30 June 2017

As the Manager of the Mount Beauty & District **Community Bank**® Branch, I am very pleased to submit my report on a year which has exceeded expectations in so many ways in all our operational areas.

Mount Beauty & District **Community Bank**® Branch is exceptionally privileged to have nine very enthusiastic and professional staff members. With the increased coverage in the Kiewa, Mitta and Upper Murray Valleys, the demand required increased staff, and we welcomed Jacquie Russell to our banking team. With our excellent team - Lucinda Wiseman, Alana Goznik, Lynne Short, Lisa McCluskey, Emma Williams, and Jacqui Russell (all in Mount Beauty) and Jo-Ellen Whitsed and Kate Butler (Corryong) I’m sure our success will continue. During the year, Mark Roffey resigned from our Mount Beauty & District **Community Bank**® Branch.

The 2016/17 financial year saw us achieve the best growth results since our operations began. I am extremely proud of my team for their commitment, hard work and dedication to our communities. I am also thankful for the continuing growth at both the Corryong and Tallangatta agencies. While all staff members are an important asset to growing this business, we could not achieve success without our customers and supportive community members. The community commitment has allowed the business to support numerous community events, with in excess of $600,000 going back into the community. My personal thanks goes to each and every customer who has made the commitment to be a part of the Mount Beauty & District **Community Bank** ® Branch, as without their loyalty and constant support we would not be able to achieve such fantastic results.

Approaching our 10th birthday in December, it has been great to be able to achieve a record growth result of $22.6 million along with just over $150 million in footings. All aspects of our business are growing at a rapid rate with constant activity in all of our present locations.

On behalf of myself and my team, I would like to thank our amazing Board members, Andrew Randell (Chairman), Dorothy Morrison (Secretary), Barbara Pyle, Bill Best, Mac Paton, Justin Costello, Joanne Shannon and Luke Heiser who was appointed as a Director in June 2017. However, we sadly said farewell to Max Grigg as he resigned to further his business interests in Melbourne. Without the continuous voluntary commitment of all Directors to the Mount Beauty & District **Community Bank**® Branch, the business would not be in the position it is now. We are also grateful for the input and support of the Bendigo and Adelaide Bank ‘Working together team’ of Kendall Beattie, Mark Brown, Lisa Liddell and Brian O’Keefe, along with our specialist personnel in Business Banking, Rural Bank, Financial and Insurance.

In closing, I would like to express my enthusiasm for the year ahead in supporting my team at the Mount Beauty & District **Community Bank**® Branch. I also look forward to being able to adapt to the positive changes that will no doubt occur and the finance industry and throughout our local communities.

We are proud to continue to support the Kiewa, Mitta and Upper Murray valley communities and look forward to the continuing full support for your local **Community Bank**® company by you, our loyal customers, during future years.

Shelley Maher
Branch Manager

Directors' report

For the financial year ended 30 June 2017

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

Directors

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

Andrew John Randell

Chairman

Occupation: Building Contractor

Qualifications, experience and expertise: Chairman, Board of Directors since inception. Commercial and domestic building contractor. Past Chairman Alpine Health. Past Alpine Shire Councillor. Foundation member Rotary Club of Mt Beauty.

Special responsibilities: Chairman of Board of Directors and ex office member of all committees.

Interest in shares: 26,001

Dorothy Morrison

Secretary

Occupation: Retired Legal Executive

Qualifications, experience and expertise: Fellow of the Institute of Legal Executives (Victoria). Extensive experience in legal sphere administration including relevant financial advice and estate planning. Community involvement over many years as member of management committees and advisory groups. Company Secretary since 2009, Director since 2010 and is also currently acting Treasurer to the Board.

Special responsibilities: Supervision and maintenance of company share registry, Governance & Management Committee, Sponsorship & Marketing Committee, and administrative and corporate support to Board and Committees.

Interest in shares: 500

William Charles Best

Director

Occupation: Software Development

Qualifications, experience and expertise: Senior Manager for Defence and Special Projects - RMS Software Development Co. Previously Alpine Shire Councillor, currently a member of several community-based committees, including Upper Kiewa Valley Community Association.

Special responsibilities: Governance and Risk Management committee, Human Resources Committee

Interest in shares: 1,001

Barbara Jean Pyle

Deputy Chair

Occupation: Retired

Qualifications, experience and expertise: Deputy Chair of Board of Directors. Trained Infant school teacher. Diploma in Transport at Monash University. Past Chairperson of Falls Creek Resort Management Board. Executive positions on Falls Creek Chamber of Commerce, Tawonga School Council, Mt. Beauty Secondary College Council. Past President of Mt. Beauty Rotary Club.

Special responsibilities: Deputy Chair of Board of Directors, Chair of the Marketing and Sponsorship Committee

Interest in shares: 21,000

Directors (continued)

Joanne Shannon

Director

Occupation: Senior Officer - Local Government

Qualifications, experience and expertise: Joanne Shannon is the Director Community & Corporate Services for Towong Shire Council. Jo is responsible for financial planning and control, grant funding, business information, information technology, risk management, human resources, community services, community development and oversight of significant projects. She has a Bachelor of Business (Accounting) and is a member of CPA Australia.

Special responsibilities: Nil

Interests in shares: 1,000

Justin Troy Costello

Director

Occupation: Stock and Station Agent

Qualifications, experience and expertise: Justin has a lifelong association with the Upper Murray, having grown up on in Corryong and working locally as a stock agent for the past eight years. Experience with several multi-national real estate companies in Melbourne in the area of industrial and residential properties for twelve years adds to his scope of knowledge and expertise in asset management and farm activities. Justin holds an Associate Diploma in Business and is a licensed real estate agent in both Victoria and New South Wales.

Special responsibilities: Nil

Interest in shares: 500

John McMeekin Paton

Director

Occupation: Farmer

Qualifications, experience and expertise: Dairy farming, beef farming, sheep farming. Diploma Agriculture, Diploma Valuation and Farm Management (NZ). Mitta Football Club President. Chair of Mitta Valley Advancement Forum. Chair "Our Valley Our Future" Project. Chair Mitta (Inc). Director Gippsland Northern. Towong Shire Councillor and Commissioner. Member of Vic Farmers Federation and Goulburn Murray Water.

Special responsibilities: Nil

Interest in shares: 1,500

Luke Anthony Heiser

Director (Appointed 14 June 2017)

Occupation: Restaurateur

Qualifications, experience and expertise: A qualified Radiographer, Luke travelled extensively overseas and on his return undertook a teaching degree at Melbourne University. He then welcomed an opportunity to open his own very successful hospitality business in Corryong. He also works extensively to assist young people in his community to maximise their potential and opportunities.

Special responsibilities: Nil

Interest in shares: Nil

Maxwell Warren Grigg

Director (Resigned 22 February 2017)

Occupation: Farmer and Business Proprietor

Qualifications, experience and expertise: CEO for over 20 years of engineering business. Director for 6 years of Australian Manufacturing Technology Institute. Board member of Upper Murray Health Service since 2013.

Special responsibilities: Nil

Interest in shares: 2,000

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

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

Company Secretary

There have been two Company Secretaries, Dorothy Morrison and William Best during the financial year.

Dorothy has extensive experience in administration, particularly in the legal sphere. She is a Fellow of the Institute of Legal Executives (Victoria) having been admitted in June 1977, and worked mainly in the areas of Wills, Probate and Conveyancing and appropriate financial applications in those disciplines, having undertaken ongoing legal education in those areas and including financial advice and estate planning. She also on occasion served as Company Secretary for corporate clients. In more recent times her administrative activities have been in the health industry. Dorothy has also served on several community organisations in the various roles of chairperson, secretary and treasurer.

William (Bill) became a Director of the Board on 6 July 2007. Bill has extensive experience in software development and is currently on several community-based committees. Bill resigned as secretary on 1 October 2016.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2017 $	Year ended 30 June 2016 $
84,268	105,330

Dividends

	Year ended 30 June 2017	
	Cents	$
Dividends paid in the year	8	49,062

Significant changes in the state of affairs

During the financial year Kiewa Mitta Murray CEL expanded its Corryong presence by opening the Corryong Business Service Centre to complement the activities of the current existing agency.

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 22 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Sponsorship Sub Committee	
	Eligible	**Attended**	**Eligible**	**Attended**
Andrew John Randell	11	11	1	1
Dorothy Morrison	11	11	3	3
William Charles Best	11	9	-	-
Barbara Jean Pyle	11	11	3	3
Joanne Shannon	6	1	-	-
Justin Troy Costello	11	8	-	-
John McMeekin Paton	11	11	-	-
Luke Anthony Heiser (Appointed 14 June 2017)	-	-	-	-
Maxwell Warren Grigg (Resigned 22 January 2017)	6	-	-	-

Proceedings on behalf of the company

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

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

Non audit services

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

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

Directors' report (continued)

Non audit services (continued)

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

Signed in accordance with a resolution of the board of directors at Mount Beauty, Victoria on 16 August 2017.

Andrew John Randell,
Chairman

Auditor's independence declaration

Partners in success
Chartered Accountants

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

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Kiewa Mitta Murray Community Enterprises Limited

As lead auditor for the audit of Kiewa Mitta Murray Community Enterprises Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 16 August 2017

David Hutchings
Lead Auditor

Taxation | Audit | Business Services

Financial statements

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

	Notes	2017 $	2016 $
Revenue from ordinary activities	4	1,219,472	1,086,813
Employee benefits expense		(566,294)	(499,188)
Charitable donations, sponsorship, advertising and promotion		(183,114)	(145,582)
Occupancy and associated costs		(63,061)	(47,566)
Systems costs		(26,068)	(23,827)
Depreciation and amortisation expense	5	(47,995)	(41,372)
Finance costs	5	(1,448)	(1,660)
General administration expenses		(215,225)	(180,600)
Loss on disposal of asset		(25)	-
Profit before income tax expense		**116,242**	**147,018**
Income tax expense	6	(31,974)	(41,688)
Profit after income tax expense		**84,268**	**105,330**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**84,268**	**105,330**
Earnings per share		**¢**	**¢**
Basic earnings per share	23	13.74	17.20

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2017

	Notes	2017 $	2016 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	234,082	299,618
Trade and other receivables	8	100,930	88,163
Current tax asset	11	9,308	-
Total Current Assets		**344,320**	**387,781**
Non-Current Assets			
Property, plant and equipment	9	273,999	193,574
Intangible assets	10	5,768	19,613
Deferred tax asset	11	-	610
Total Non-Current Assets		**279,767**	**213,797**
Total Assets		**624,087**	**601,578**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	40,288	22,410
Current tax liabilities	11	-	23,206
Borrowings	13	5,859	5,568
Provisions	14	12,767	29,444
Total Current Liabilities		**58,914**	**80,628**
Non-Current Liabilities			
Borrowings	13	19,492	25,351
Provisions	14	8,119	4,587
Deferred tax liabilities	11	11,344	-
Total Non-Current Liabilities		**38,955**	**29,938**
Total Liabilities		**97,869**	**110,566**
Net Assets		**526,218**	**491,012**
Equity			
Issued capital	15	585,438	585,438
Accumulated losses	16	(59,220)	(94,426)
Total Equity		**526,218**	**491,012**

The accompanying notes form part of these financial statements.

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

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2015	585,438	(150,694)	434,744
Total comprehensive income for the year	-	105,330	105,330
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(49,062)	(49,062)
Balance at 30 June 2016	**585,438**	**(94,426)**	**491,012**
Balance at 1 July 2016	585,438	(94,426)	491,012
Total comprehensive income for the year	-	84,268	84,268
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(49,062)	(49,062)
Balance at 30 June 2017	**585,438**	**(59,220)**	**526,218**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2017

	Notes	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		1,326,230	1,174,234
Payments to suppliers and employees		(1,173,927)	(998,681)
Interest received		5,373	6,057
Interest paid		(1,448)	(1,660)
Income taxes paid		(52,534)	(25,990)
Net cash provided by operating activities	**17**	**103,694**	**153,960**
Cash flows from investing activities			
Payments for property, plant and equipment		(114,600)	(68,475)
Net cash used in investing activities		**(114,600)**	**(68,475)**
Cash flows from financing activities			
Repayment of borrowings		(5,568)	(5,292)
Dividends paid		(49,062)	(49,062)
Net cash used in financing activities		**(54,630)**	**(54,354)**
Net increase/(decrease) in cash held		**(65,536)**	**31,131**
Cash and cash equivalents at the beginning of the financial year		299,618	268,487
Cash and cash equivalents at the end of the financial year	**7(a)**	**234,082**	**299,618**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2017

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

There are also a number of accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2016. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

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

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

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

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

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

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

b) Revenue

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

Revenue calculation

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

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan.

For those products and services on which margin is paid, the company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited’s interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Products and services on which margin is paid include variable rate deposits and variable rate home loans.

Commission

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

Fee income

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

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo and Adelaide Bank Limited has also made discretionary financial payments to the company. These are referred to by Bendigo and Adelaide Bank Limited as a “Market Development Fund” (MDF).

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

It is for the board to decide how to use the MDF.

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

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return

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

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

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

Note 1. Summary of significant accounting policies (continued)

g) Property, plant and equipment (continued)

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

- leasehold improvements 40 years
- plant and equipment 2.5 - 40 years
- motor vehicles 3 - 5 years

h) Intangibles

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

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

i) Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

j) Borrowings

All loans are initially measured at the principal amount. Interest is recognised as an expense as it accrues.

k) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and subsequent measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions of other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

n) Contributed equity

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

o) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Note 2. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) Capital management

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

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

The distribution limit is the greater of:

(a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2017 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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

	2017 $	2016 $

Note 4. Revenue from ordinary activities

	2017 $	2016 $
Operating activities:		
- gross margin	899,518	743,936
- services commissions	219,228	217,680
- fee income	68,007	70,057
- market development fund	23,750	50,000
- sundry income	3,614	-
Total revenue from operating activities	**1,214,117**	**1,081,673**
Non-operating activities:		
- interest received	5,355	5,140
Total revenue from non-operating activities	**5,355**	**5,140**
Total revenues from ordinary activities	**1,219,472**	**1,086,813**

Note 5. Expenses

	2017 $	2016 $
Depreciation of non-current assets:		
- plant and equipment	2,778	2,057
- leasehold improvements	15,888	9,987
- motor vehicle	15,484	15,484
Amortisation of non-current assets:		
- franchise renewal fee	11,537	11,537
- franchise agreement	2,308	2,307
	47,995	**41,372**
Finance costs:		
- interest paid	**1,448**	**1,660**
Bad debts	**19,408**	**251**

	2017 $	2016 $

Note 5. Expenses (continued)

During the financial year the Company incurred a major bad debt write off due to a defaulted unsecured loan which was written outside bank policy by staff.

	2017 $	2016 $
Loss on Disposal	**25**	**-**

Note 6. Income tax expense

The components of tax expense comprise:

	2017 $	2016 $
- Current tax	20,020	38,339
- Movement in deferred tax	11,954	8,012
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	22
- Under/(Over) provision of tax in the prior period	-	(4,685)
	31,974	**41,688**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	116,242	147,018
Prima facie tax on profit from ordinary activities at 27.5% (2016: 28.5%)	31,967	41,900
Add tax effect of:		
- non-deductible expenses	14	-
- timing difference expenses	(11,961)	(3,561)
	20,020	**38,339**
Movement in deferred tax	11,954	8,012
Adjustment to deferred tax to reflect change of tax rate in future periods	-	22
Under/(Over) provision of income tax in the prior year	-	(4,685)
	31,974	**41,688**

Note 7. Cash and cash equivalents

	2017 $	2016 $
Cash at bank and on hand	42,228	111,621
Term deposits	191,854	187,997
	234,082	**299,618**
Note 7.(a) Reconciliation to cash flow statement		
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:		
Cash at bank and on hand	42,228	111,621
Term deposits	191,854	187,997
	234,082	**299,618**

	2017 $	2016 $

Note 8. Trade and other receivables

	2017 $	2016 $
Trade receivables	92,658	81,969
Prepayments	7,184	5,088
Other receivables and accruals	1,088	1,106
	100,930	**88,163**

Note 9. Property, plant and equipment

	2017 $	2016 $
Leasehold improvements		
At cost	298,493	190,687
Less accumulated depreciation	(74,280)	(58,392)
	224,213	**132,295**
Plant and equipment		
At cost	50,613	43,953
Less accumulated depreciation	(34,677)	(32,008)
	15,936	**11,945**
Motor vehicles		
At cost	77,420	77,420
Less accumulated depreciation	(43,570)	(28,086)
	33,850	**49,334**
Total written down amount	**273,999**	**193,574**
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	132,295	76,743
Additions	107,806	65,539
Disposals	-	-
Less: depreciation expense	(15,888)	(9,987)
carrying amount at end	**224,213**	**132,295**
Plant and equipment		
Carrying amount at beginning	11,945	11,066
Additions	6,794	2,936
Disposals	(25)	-
Less: depreciation expense	(2,778)	(2,057)
Carrying amount at end	**15,936**	**11,945**

Notes to the financial statements (continued)

	2017 $	2016 $
Note 9. Property, plant and equipment (continued)		
Motor vehicles		
Carrying amount at beginning	49,334	64,818
Additions	-	-
Disposals	-	-
Less: depreciation expense	(15,484)	(15,484)
Carrying amount at end	**33,850**	**49,334**
Total written down amount	**273,999**	**193,574**

Note 10. Intangible assets

	2017 $	2016 $
Franchise fee		
At cost	21,537	21,537
Less: accumulated amortisation	(20,576)	(18,268)
	961	**3,269**
Renewal processing fee		
At cost	57,684	57,684
Less: accumulated amortisation	(52,877)	(41,340)
	4,807	**16,344**
Total written down amount	**5,768**	**19,613**

Note 11. Tax

	2017 $	2016 $
Current:		
Income tax payable/(refundable)	**(9,308)**	**23,206**
Non-Current:		
Deferred tax assets		
- accruals	715	715
- employee provisions	5,744	9,359
	6,459	**10,074**
Deferred tax liability		
- accruals	299	304
- property, plant and equipment	17,504	9,160
	17,803	**9,464**
Net deferred tax asset/(liability)	**(11,344)**	**610**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**(11,954)**	**8,034**

	Note	2017 $	2016 $

Note 12. Trade and other payables

	Note	2017 $	2016 $
Current:			
Trade creditors		14,646	466
Other creditors and accruals		25,642	21,944
		40,288	**22,410**

Note 13. Borrowings

	Note	2017 $	2016 $
Current:			
Chattel mortgage	**18**	**5,859**	**5,568**
Non-Current:			
Chattel mortgage	**18**	**19,492**	**25,351**

The finance lease is a chattel mortgage for a 2015 Subaru Outback. The contract is for a five-year lease ending in February 2020 per agreement with Bendigo & Adelaide Bank Limited. Interest is now recognised at an average rate of 5.19% (2016: 4.97%). The loan is secured by a fixed floating charge over the Company's assets.

Note 14. Provisions

	Note	2017 $	2016 $
Current:			
Provision for annual leave		12,767	13,165
Provision for long service leave		-	16,279
		12,767	**29,444**
Non-Current:			
Provision for long service leave		**8,119**	**4,587**

Note 15. Contributed equity

	Note	2017 $	2016 $
613,278 Ordinary shares fully paid (2016: 613,278)		613,278	613,278
Less: equity raising expenses		(27,840)	(27,840)
		585,438	**585,438**

Note 15. Contributed equity (continued)

Rights attached to shares

(a) Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank**® branch have the same ability to influence the operation of the company.

(b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act 2001.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 223. As at the date of this report, the company had 234 shareholders.

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

Note 15. Contributed equity (continued)

Prohibited shareholding interest (continued)

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

	2017 $	**2016 $**
Note 16. Accumulated losses		
Balance at the beginning of the financial year	(94,426)	(150,694)
Net profit from ordinary activities after income tax	84,268	105,330
Dividends paid or provided for	(49,062)	(49,062)
Balance at the end of the financial year	**(59,220)**	**(94,426)**

Note 17. Statement of cash flows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	84,268	105,330
Non cash items:		
- depreciation	34,150	27,528
- amortisation	13,845	13,844
- loss on disposal of asset	25	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(12,767)	(13,061)
- (increase)/decrease in other assets	(8,698)	8,034
- increase/(decrease) in payables	17,878	342
- increase/(decrease) in provisions	(13,145)	4,279
- increase/(decrease) in current tax liabilities	(11,862)	7,664
Net cash flows provided by operating activities	**103,694**	**153,960**

Notes to the financial statements (continued)

Note 18. Leases

	2017 $	2016 $
Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	7,016	7,016
- between 12 months and 5 years	20,733	27,749
Minimum lease payments	**27,749**	**34,765**
Less future finance charges	(2,398)	(3,846)
Present value of minimum lease payments	**25,351**	**30,919**

The finance lease is a chattel mortgage for a 2015 Subaru Outback. The contract is for a five-year lease ending in February 2020, with equal monthly repayments.

	2017 $	2016 $
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	23,808	37,780
- between 12 months and 5 years	24,752	47,707
	48,560	**85,487**

The Mt Beauty property lease is a non-cancellable lease with a five-year term from 7 December 2012 to 7 December 2017 with two five-year option available. Rent is payable monthly in advance and increases annually by CPI.

The Corryong property lease is a non-cancellable lease with a five-year term from 18 February 2016 to 17 February 2021 with two five-year options available. Rent is payable monthly in advance and increases annually by 2%.

Note 19. Auditor's remuneration

	2017 $	2016 $
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	5,300	4,100
- non audit services	6,510	9,585
	11,810	**13,685**

Note 20. Director and related party disclosures

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

Andrew John Randell
Dorothy Morrison
William Charles Best
Barbara Jean Pyle
Joanne Shannon
Justin Troy Costello
John McMeekin Paton
Luke Anthony Heiser (Appointed 14 June 2017)
Maxwell Warren Grigg (Resigned 25 January 2017)

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

	2017	2016
Directors' Shareholdings		
Andrew John Randell	26,001	26,001
Dorothy Morrison	500	500
William Charles Best	1,001	1,001
Barbara Jean Pyle	21,000	21,000
Joanne Shannon	1,000	2,000
Justin Troy Costello	500	500
John McMeekin Paton	1,500	1,500
Luke Anthony Heiser (Appointed 14 June 2017)	-	-
Maxwell Warren Grigg (Resigned 25 January 2017)	2,000	2,000

There was movement in directors' shareholdings during the year.

	2017 $	2016 $
Note 21. Dividends paid or provided		
a. Dividends paid during the year		
Current year dividend		
100% (2016: 100%) franked dividend - 8 cents (2016: 8 cents) per share	**49,062**	**49,062**

The tax rate at which dividends have been franked is 27.5% (2016: 30%).

	2017 $	2016 $

Note 21. Dividends paid or provided (continued)

b. Franking account balance

	2017 $	2016 $
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	48,601	14,677
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	(9,308)	25,935
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	**39,293**	**40,612**
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	**39,293**	**40,612**

Note 22. Key management personnel disclosures

The only director who received remuneration including superannuation, was:

	2017 $	2016 $
Dorothy Morrison for performing her duties as a company secretary.	15,000	15,000

Community Bank® Directors' Privileges Package

The board has adopted the **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 **Community Bank®** branch at Mount Beauty, Victoria. There is no requirement to own BEN 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. The total benefits received by the Directors from the Directors' Privilege Package are $nil for the year ended 30 June 2017 (2016: $45).

	2017 $	2016 $

Note 23. Earnings per share

	2017 $	2016 $
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	84,268	105,330

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	613,278	613,278

Note 24. Events occurring after the reporting date

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

Note 25. Contingent liabilities and contingent assets

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

Note 26. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**® services in Mount Beauty and surrounding districts of Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 27. Registered office/Principal place of business

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

Registered Office
28 Hollonds Street
Mount Beauty VIC 3699

Principal Place of Business
28 Hollonds Street
Mount Beauty VIC 3699

Note 28. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2017 $**	**2016 $**	**2017 $**	**2016 $**	**2017 $**	**2016 $**	**2017 $**	**2016 $**	**2017 $**	**2016 $**	**2017 %**	**2016 %**
Financial assets												
Cash and cash equivalents	42,228	111,621	191,854	187,997	-	-	-	-	-	-	1.92	1.82
Receivables	-	-	-	-	-	-	-	-	92,658	81,969	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	5,859	5,568	19,492	25,351	-	-	-	-	5.19	4.97
Payables	-	-	-	-	-	-	-	-	14,646	466	N/A	N/A

Net Fair Values

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

Note 28. Financial instruments (continued)

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2017 $	**2016 $**
Change in profit/(loss)		
Increase in interest rate by 1%	2,087	2,687
Decrease in interest rate by 1%	(2,087)	(2,687)
Change in equity		
Increase in interest rate by 1%	2,087	2,687
Decrease in interest rate by 1%	(2,087)	(2,687)

Directors' declaration

In accordance with a resolution of the directors of Kiewa Mitta Murray Community Enterprises Limited, we state that:

In the opinion of the directors:

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

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

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

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

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.

Andrew John Randell,
Chairman

Signed on the 16th of August 2017.

Partners in success
Chartered Accountants
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PO Box 454, Bendigo 3552
03 5443 0344
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Independent auditor's report to the members of Kiewa Mitta Murray Community Enterprises Limited

Report on the audit of the financial statements

Our opinion
In our opinion, the financial report of Kiewa Mitta Murray 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.

What we have audited
Kiewa Mitta Murray Community Enterprises Limited's (the company) financial report comprises the:

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

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

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

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

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

Independent audit report (continued)

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 16 August 2017

David Hutchings
Lead Auditor

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Corryong agency
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