Annual Report 2017

Leopold Community Enterprises Limited

ABN 39 133 061 800

Leopold **Community Bank**® Branch

Contents

Chair's report

For year ending 30 June 2017

It is with pleasure that I submit my Chair's report on behalf of the Board for the financial year ending 30 June 2017.

Business growth

Total business portfolio is over $145 million which has held steady in the 2016/17 financial year.

It would be fair to say that it has been a difficult year with staff changes and tough banking conditions still being experienced. We are however very pleased with the profit result for 2016/17 which is a healthy $148,850.

Please refer to Craig's Manager's report which covers the branch operations and staff movement.

Branch staff

As always, a major factor in the ongoing growth and achievement of the company has been the continuing high level of customer service and support provided by our team at the branch, and for this I would like to commend and thank Katie Hurnall and Craig Taylor and the team for their efforts in this regard.

Staffing

We welcomed the following staff to our branch in 2016/17 and also said goodbye to some too.

- Craig Taylor – Branch Manager Maternity Leave position (October 2016 - September 2017).

  Craig has now been appointed Manager on a fulltime basis following Katie's decision not to return to her pre maternity leave position.
- Carmila Wilson returned from Maternity Leave January 2017.
- Kerrie Tomkins – Board support.

Staff leaving our branch:

- Katie Hurnall – Resigned from Branch Manager's role July 2017.
- Xavier – returned to Highton branch.

I would like to recognise Katie Hurnall's tenure with Leopold Community Enterprises Limited. Katie joined the team from day one relocating to Leopold in 2009 and worked her way to the Branch Manager position in 2015. Katie brought a passion for community and helping those in need to her roles and has been the driving force behind the successful Easter Egg Hunt.

Katie notified the Board of her intention not to return to the Manager's role in July. Katie's role as mum to her little boy is very important and we all wish her and her family the best for their future.

The **Community Bank®** network Australia-wide had returned an amazing $165 million to the communities within which they operate. Our company, Leopold Community Enterprises Limited, is proud to be part of this network and supporting our local community.

Board membership

I wish to thank all Board Members for their continued commitment to Leopold Community Enterprises Limited and the community of Leopold.

The Board continues to seek the services of people with the specific skills required to complete the composition of the Board. If you would like to be involved please make contact at the branch.

Chair's report (continued)

Governance

Clearly, the Board's obligation first and foremost is to ensure that the company continues to prosper, and complies with all ASIC regulations and guidelines. In this regard, we are indebted to Paul Madden, Lily Reinert and Bronwyn Shearer for ensuring that all matters are dealt with appropriately.

Shareholders

Again this year the company has paid a fully franked dividend to shareholders of 6c per share (December 2016). This brings the total dividends paid to date to 30c per share. Since paying our first dividend (June 2012) the shareholder dividend has either remained the same or increased each and every year. The total financial returns to shareholders directly now stands at $234,033. This demonstrates the company commitment to reward those who made the **Community Bank**® company possible some eight years ago.

I look forward to announcing the 2017 dividend at our Annual General Meeting in October, which will be payable to all shareholders in December 2017 and is additional to the above balance on returns to shareholders.

In closing I would like to acknowledge and thank you, our shareholders, without your support and belief in our own Leopold **Community Bank**® Branch we wouldn't be in existence today.

Thank you for your ongoing support.

Trevor McFarlane
Chair

Manager’s report

For year ending 30 June 2017

The financial year saw a lot of changes to the branch namely, a Branch Manager was appointed to cover maternity leave, the full time Customer Relationship Officer position was vacant for six months, existing shopping centre tripled in size (including Bunnings) and some of the existing staff were in learning roles through promotions/new to role.

Summing up the year I put it in three words:

Activity, Activity, Activity!

The activity level of the branch was up in just about every area of the business for the year but overall the business failed to grow in line with budgets in both deposits and lending. In fact the business level reduced by $560,000 for the financial year.

But it wasn’t from the lack of trying and hard work by the staff.

The economic environment has certainly continued to make things very challenging for business over the past 12 months and our branch was certainly not immune to this.

Of particular note is the continuance of record low interest rates.

With the low interest rates, our existing borrowing customer base continued to repay their debt at record levels as well as some property sales in both Business Banking and branch level saw lending reduce for the year by $696,000. But it is the activity level that must be acknowledged in this area. Approvals were up from $13.5 million to $28 million for the year and settlements were up from $12.7 million to $26 million. The branch went from approving 109 applications in the 2015/16 year to 170 this financial year.

There was an overall reduction in branch deposits of $854,000. However it must be acknowledged, the staff had relevant conversations with our customers and this resulted in the branch growing $206,000, in wealth products $481,000 superannuation products, $253,000 in Sandhurst Trustee products and $50,000 in farm management deposits which offset this reduction.

We have more than 6,325 accounts now at the Leopold **Community Bank**® Branch, and have seen a significant increase in customers visiting the branch since the opening of the expanded shopping centre.

We have a total portfolio of over $145 million, and our product range of accounts is as competitive as it has ever been.

A highlight for the year was the staff’s ability to have relevant insurance discussions with our customers which saw the branch write over 200 over the counter insurance policies and being the our **Community Bank**® branch in the top 10 Australia wide to achieve this.

We also saw the opening of the extension in April of the Gateway Plaza which tripled in size. This has attracted many people to this centre from all over the Bellarine Peninsula. While this has increased the foot traffic of the branch it also gives us opportunities to have relevant discussions with other branch customers.

Our **Community Bank**® company has continued to support the many clubs and organisations within the local and surrounding community and was able to continue with the grants program which saw over $48,000 distributed to many worthwhile projects. The more successful and committed our customers are, the more successful our local community will be, which in turn makes us a successful **Community Bank**® branch.

Our experienced and trained staff are able to give valuable advice in regard to daily banking needs, and we pride ourselves in being our community’s first port of call when it comes to all financial requirements. I thank each of them personally for the effort that they put in this year.

I would also like to thank our volunteer Board of Directors for all the time they commit to making Leopold **Community Bank**® Branch the success that it is.

Craig Taylor
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

Highlights for the year

Leopold Community & Learning Centre

The financial support provided by Leopold Community Enterprises Limited has been an important factor in establishing the centre as a valuable asset for social and learning activities in Leopold. Our sponsorship has facilitated the introduction of new programs and allowed the Centre to increase opening hours and build partnerships with other organisations to deliver activities that meet the needs of our community.

New programs include Get Your Granny On – a program that focuses on teaching younger generations skills that our grannies had, from crocheting to cheese making and brings our older residents together with our young families to share and learn.

Technology Tearoom is another successful program focusing on our older citizens who are struggling with digital devices and online forms. The Tearoom provides a social and relaxed setting where we have a young volunteer assisting participants with their digital technology issues.

Leopold Football & Netball Club

Leopold Community Enterprises Limited has provided $100,000 in sponsorship for the development of facilities at the grounds to ensure the project went ahead. We see this as an important community asset for our local community with the project upgrading kitchen facilities and club rooms.

Foundation grants

Leopold Community & Learning Centre	Major Sponsor
Leopold Bowls Club	Shade Sails
Leopold Men's Shed	Men's Day
Leopold Football Netball Club	Major Sponsor – Facilities Kitchen upgrade
Allanvale Kindergarten	Play Equipment,
Auskick	Sponsorship
Leopold Golf Club	Sponsorship
Leopold Cricket Club	Sponsorship
Wallington Cricket Club	Sponsorship
Easter Egg Hunt	Fundraiser for the Good Friday Royal Children's Hospital Appeal

Leopold **Community Bank**® Branch is here for you and our community.

Community investments

Date of Contribution	Company / Branch Name	Amount	Contribution Type	Category	Recipient Name	Total Project Cost	Description of purpose of contribution
5 October 2016	Leopold Little Athletics Club	$1,000	Sponsorship	Sport	Kerryn Elliot	$1,000	Updating of equipment
5 October 2016	Wallington Strawberry Fair	$500	Sponsorship	Art	Anne Lane	$500	General sponsorship
5 October 2016	Leopold cricket club	$5,000	Sponsorship	Sport	Matt Sinkinson	$5,000	Replacement of pitch covers junior specialist coach and pitch upgrade
5 October 2016	Leopold Men's shed	$500	Sponsorship	Health	Ian Crocos	$500	Men's Shed conference
5 October 2016	Leopold Soccer club	$5,000	Sponsorship	Sport	Mitch Vials	$5,000	Sponsorship
21 February 2017	Easter Egg Hunt	$5,000	Sponsorship	Event	Katie Hurnall	$5,000	Major sponsorship of Good Friday Event in Leopold
18 October 2017	Leopold Football Club	$5,500	Sponsorship	sport		$5,500	Sponsorship of LFNC
10 December 2017	Leopold Sportsman's Bowls Section	$2,000	Sponsorship	Sport		$2,000	Sponsorship
16 November 2017	Lumen Christi	$250	Sponsorship	Event		$250	Fair sponsorship
16 August 2017	Blazon Apps	$1,677	Sponsorship	Community Infrastructure		$1,677	Leopold community app funding
17 February 2017	Encompass	$2,500	Sponsorship	Cultural		$2,500	Major sponsor Pumpkin Fair
4 February 2017	Leopold Lions	$1,059	Donation	Community Infrastructure		$1,059	Replacement refrigerator
27 January 2017	Wallington Cricket Club	$1,100	Sponsorship	Sport		$1,100	Yearly sponsorship

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 Leopold Community Enterprises Limited during or since the end of the financial year up to the date of this report:

Trevor McFarlane

Experience and expertise: Business Manager Leisure Networks Inc., 21 years in business management, Diploma of Management.

Special responsibilities: Chairman, and member of HR Committee, Business Development Committee.

Paul Madden

Experience and expertise: Accountant CPA, Registered Tax Agent, Principal Advance Business Centres Accountants and Planners Diploma of Business (Accounting).

Other current Directorships: Lasorate Pty Ltd, Investco Pty Ltd, Providence Holdings Pty Ltd, Link Consultants Pty Ltd Former Directorships in last 4 years: Moss Leopold Pty Ltd, Top Results Pty Ltd.

Special responsibilities: Vice Chairman, Treasurer, Audit Committee, Business Development Committee.

Janet McIntosh

Experience and expertise: Real Estate Agent.

Other current Directorships: All Points Leopold.

Special responsibilities: Marketing Committee.

Bob Reinert

Experience and expertise: Business Manager, Registered Commercial and Residential builder.

Other current Directorships: Geelong Safety Rail Pty Ltd, Trenier Investments, Reinert Investments, Bremen Pty Ltd, 300 Portarlington Road.

Special responsibilities: Building Committee, Business Development.

Lily Reinert

Experience and expertise: Business Manager. Registered Nurse.

Other current Directorships: Geelong Safety Rail Pty Ltd, Trenier Investments, Reinert Investments, Bremen Pty Ltd, 300 Portarlington Road.

Special responsibilities: Company Secretary, Human Resources Committee, Marketing Committee, Buildings and Maintenance.

Bruno Esposti

Experience and expertise: 16 years sales with a major car dealership in Geelong.

Other current Directorships:

Special responsibilities: Marketing Committee for the Leopold App.

Bronwyn Shearer

Experience and expertise: 9 years Strategic Planning and Board Evaluation Business and Customer Services, AKS Electrical Services.

Special responsibilities, Board support and involvement with all Committees.

Directors (continued)

Lydia De Raad

Experience and expertise: Legal expertise as a practising lawyer, Bachelor of Laws and studying a Masters of Property Law.

Resignations

Margaret McFadyen

Experience and expertise in community.

Special responsibilities: Community engagement, Marketing Committee.

Resigned October 2016.

Jarrod Lundie

Experience and expertise: Chartered Accountant. Bachelor of Commerce, 11+ years public practice accounting, Tax Agent.

Special responsibilities: Audit Committee.

Resigned 24 June 2017.

Garry Goodman

Experience and expertise: Business Manager. Owner News Agency.

Special responsibilities: Audit Committee.

Resigned: 17 January 2017.

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:

	Board meeting		Audit Committee	
Director	**A**	**B**	**A**	**B**
Trevor McFarlane	11	11	xx	xx
Paul Madden	11	9	1	1
Janet McIntosh	11	11	xx	xx
Bob Reinert	11	11	xx	xx
Lily Reinert	11	11	xx	xx
Jarrod Lundie	11	2	1	1
Bruno Esposti	11	8	xx	xx
Bronwyn Shearer	11	11	xx	xx
Lydia De Raad	11	8	xx	xx
Margaret McFayden	5	4	xx	xx
Garry Goodman	3	3	xx	xx

A - The number of meetings eligible to attend.
B - The number of meetings attended.
N/A - not a member of that committee.

Company Secretary

Lily Reinert has been the Company Secretary of Leopold Community Enterprises Limited for the year.

Lily's qualifications and experience include eight years in the role.

Principal activities

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

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

Review of operations

The profit/(loss) of the company for the financial year after provision for income tax was $212,643 after tax; (2016 profit): $148,850), which is a 12.6% increase as compared with the previous year. The Profit Share model with Bendigo and Adelaide Bank has been modified. The impact is expected to be a slightly reduced income for successive years.

Dividends

Dividends paid or declared since the start of the financial year

A fully franked final dividend of 6.0 cents per share was declared and paid during the year for the year ended 30 June 2016. It is expected to announce a fully franked dividend of 7.0 cents for the year ended 30 June 2017.

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.

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 at page 13 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Remuneration report

Remuneration policy

There has been no remuneration policy developed as Director positions are held on a voluntary basis and Directors are not remunerated for their services.

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.

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. The Directors have estimated the total benefits received from the Directors' Privilege Package to be $0 for the year ended 30 June 2017.

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			
Trevor McFarlane	7,051		7,051
Paul Madden	21,051	5,000	26,051
Janet McIntosh	72,551	1,500	74051
Bob Reinert	5,051		5,051
Lily Reinert	5,051		5,051
Margaret McFayden	10,000		10,000
Other key management Personnel			
None			
None			

Loans to key management personnel

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 Geelong on 13 September 2017.

Trevor McFarlane
Director / Chairman

Auditor’s independence declaration

Mark SP Wilkinson
ABN 46 472 629 469
Registered Company Auditor

13 September 2017

The Directors
Leopold Community Enterprises Limited
PO Box 74
LEOPOLD VIC 3224

Dear Directors,

To the Directors of Leopold Community Enterprises Limited (ABN 39 133 061 800)

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

Liability limited by a scheme approved under Professional Standards Legislation.

6 Kintyre Crescent (PO Box 235) Telephone: 0418 772 212
Leopold 3224 Email: auditvalue@bigpond.com Facsimile: 03 5250 6294

Financial statements

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

	Notes	2017 $	2016 $
Revenue	2	1,124,886	1,069,266
Expenses			
Employee benefits expense	3	(409,777)	(467,172)
Depreciation and amortisation	3	(25,802)	(23,274)
Administration and general costs		-	-
Finance costs		-	-
Bad and doubtful debts expense	3	(1,265)	(207)
Occupancy expenses	3	(110,358)	(107,818)
IT costs	3	(49,817)	(46,759)
Other expenses	3	(127,121)	(110,291)
Operating profit / (loss) before charitable donations and sponsorships		**400,746**	**313,745**
Charitable donations and sponsorships		(188,103)	(128,907)
Profit / (loss) before income tax		**212,643**	**184,838**
Income tax expense / (benefit)	4	63,793	52,679
Profit/(loss) for the year		**148,850**	**132,159**
Other comprehensive income		-	-
Total comprehensive income for the year		**148,850**	**132,159**
Profit / (loss) attributable to members of the company		148,850	132,159
Total comprehensive income attributable to members of the company		**148,850**	**132,159**

Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):		
- basic earnings per share	19.08	16.94

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

Financial statements (continued)

Statement of Financial Position
as at 30 June 2017

	Notes	2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents	5	630,246	552,585
Trade and other receivables	6	90,540	52,384
Financial assets	7	124,486	118,996
Current tax asset	4	-	-
Other assets	8	14,883	3,735
Total current assets		**860,155**	**727,700**
Non-current assets			
Property, plant and equipment	9	111,015	117,885
Intangible assets	10	4,047	6,338
Deferred tax assets	4	-	-
Total non-current assets		**115,062**	**124,223**
Total assets		**975,217**	**851,923**
Liabilities			
Current liabilities			
Trade and other payables	11	58,711	25,856
Current tax liability	4	10,008	9,819
Borrowings	12	-	-
Provisions	13	5,498	17,130
Total current liabilities		**74,217**	**52,805**
Non-current liabilities			
Borrowings	12		-
Provisions	13		-
Deferred tax liability	4		-
Total non-current liabilities		**-**	**-**
Total liabilities		**74,217**	**52,805**
Net assets		**901,000**	**799,118**
Equity			
Issued capital	14	759,571	759,571
Retained earnings / (Accumulated losses)	15	141,429	39,547
Reserves	16	-	-
Total equity		**901,000**	**799,118**

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		**759,571**	**(40,154)**	**-**	**719,417**
Profit / (loss) for the year		-	132,159	-	132,159
Other comprehensive income for the year		-	(5,651)	-	(5,651)
Total comprehensive income for the year		**-**	**-**	**-**	**-**
Transactions with owners, in their capacity as owners					
Shares issued during the year		-	-	-	-
Dividends paid or provided	25	-	(46,807)	-	(46,807)
Balance at 30 June 2016		**759,571**	**39,547**	**-**	**799,118**
Balance at 1 July 2016		**759,571**	**39,547**	**-**	**799,118**
Profit / (loss) for the year		-	148,850	-	148,850
Other comprehensive income for the year		-	(161)	-	(161)
Total comprehensive income for the year		**-**	**-**	**-**	**-**
Transactions with owners, in their capacity as owners					
Shares issued during the year		-	-	-	-
Dividends paid or provided	25	-	(46,807)	-	(46,807)
Balance at 30 June 2017		**759,571**	**39,547**	**-**	**901,000**

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		1,081,805	1,076,960
Payments to suppliers and employees		(1,013,706)	(960,658)
Dividends received		4,925	
Interest paid			
Interest received			
Income tax paid		53,785	42,860
Net cash provided by / (used in) operating activities	**17b**	**126,809**	**159,162**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment			
Proceeds from sale of investments			
Purchase of property, plant and equipment		(6,121)	(25,755)
Purchase of investments		3,780	(74,763)
Purchase of intangible assets			
Net cash flows from / (used in) investing activities		**(2,341)**	**(100,518)**
Cash flows from financing activities			
Proceeds from borrowings			
Repayment of borrowings			
Dividends paid		(46,807)	(46,807)
Net cash provided by / (used in) financing activities		**(46,807)**	**(46,807)**
Net increase / (decrease) in cash held		**77,661**	**11,837**
Cash and cash equivalents at beginning of financial year		552,585	540,748
Cash and cash equivalents at end of financial year	**17a**	**630,246**	**552,585**

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 Leopold Community Enterprises Limited.

Leopold 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 13 September 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**® branches at Leopold.

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.

<u>Property</u>

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

<u>Short-term employee benefits</u>

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.

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.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(iii) Impairment (continued)

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.

(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.

Note 1. Summary of significant accounting policies (continued)

(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

Basic earnings per share

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.

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.

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)

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.

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.

Note 1. Summary of significant accounting policies (continued)

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

(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:

Estimation of useful lives of assets

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.

Fair value assessment of non-current physical assets

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.

Employee benefits provision

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.

Income tax

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.

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

	2017 $	2016 $
Revenue		
- services commissions	1,081,912	987,620
	1,081,912	**987,620**
Other revenue		
- interest received	14,299	16,552
- other revenue	28,675	65,094
	42,974	**81,646**
Total revenue	**1,124,886**	**1,069,266**

Note 3. Expenses

	2017 $	2016 $
Profit before income tax inculdes the following specific expenses:		
Employee benefits expense		
- wages and salaries	340,490	365,159
- superannuation costs	28,928	32,500
- other costs	40,359	69,513
	409,777	**467,172**
Depreciation and amortisation		
Depreciation		
- plant and equipment	18,528	20,983
- leasehold improvements		-
- buildings		-
	18,528	**20,983**
Amortisation		
- franchise fees	7,274	2,291
- establishment costs		-
	7,274	**2,291**
Total depreciation and amortisation	**25,802**	**23,274**
Finance costs		
- Interest paid		-

Notes to the financial statements (continued)

	2017 $	2016 $
Note 3. Expenses (continued)		
Bad and doubtful debts expenses	1,265	207
- occupancy cost	110358	107818
- IT equipment Lease	26240	25383
- IT running costs	7162	8640
- IT support costs	16415	12736
Total IT costs	**49817**	**46759**
Other expenses		
- marketing	5023	5312
- insurance	7638	14694
- printing and stationery	10826	12052
- other	103634	78233
Total	**127,121**	**110,291**
(Gain) / Loss on disposal of property, plant and equipment		-
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	2,850	2,741
- Taxation services		-
- Share registry services		-
	2,850	**2,741**

Note 4. Income tax

a. The components of tax expense / (income) comprise:		
Current tax expense / (income)		-
Deferred tax expense / (income) relating		-
Recoupment of prior year tax losses		-
Under / (over) provision of prior years		-
	-	**-**
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 30% (2016: 30%)	63,793	52,679

	2017 $	2016 $
Note 4. Income tax (continued)		
b. Prima facie tax payable (continued)		
Add tax effect of:		
- Utilisation of previously unrecognised carried forward tax losses		
- Under / (over)provision of prior years		-
- Non-deductible expenses		-
Income tax attributable to the entity	**63,793**	**52,679**
The applicable weighted average effective tax rate is	30.00%	30.00%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance		-
Income tax paid	(53,785)	(42,860)
Current tax	63,793	52,679
Under / (over) provision prior years		-
	10,008	**9,819**
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		-

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	79,369	552,585
Short-term bank deposits	550,877	
	630,246	**552,585**

The effective interest rate on short-term bank deposits was 3% (2015: 3.6%); these deposits have an average maturity of 365 days.

Note 6. Trade and other receivables

Current

	2017 $	2016 $
Trade receivables	90,540	52,384
Other receivables		
	90,540	**52,384**

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)

			Past due but not impaired			
	Gross amount $	Past due and impaired $	< 30 days $	31-60 days $	> 60 days $	Not past due $
2017						
Trade receivables	90,540		-			90,540
Other receivables		-	-	-	-	
Total	**90,540**	**-**	**-**	**-**	**-**	**90,540**
2016						
Trade receivables	52,384	-	-	-	-	52,384
Other receivables		-	-	-	-	
Total	**52,384**	**-**	**-**	**-**	**-**	**52,384**

Note 7. Financial assets

Held to maturity financial assets		
Available for sale financial assets		
Listed investments	124,486	118,996
	124,486	**118,996**

Note 8. Other assets

Prepayments	14,883	3,735
Security bond		-
Other		-
	14,883	**3,735**

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	118,571	117,733
Less accumulated depreciation	(32,516)	(29,761)
	86,055	**87,972**
Plant and equipment		
At cost	111,528	106,915
Less accumulated depreciation	(86,568)	(77,002)
	24,960	**29,913**
Total property, plant and equipment	**111,015**	**117,885**
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	87,972	77,066
Additions	838	13,952
Disposals		
Depreciation expense	(2,756)	(3,046)
Balance at the end of the reporting period	**86,054**	**87,972**
Plant and equipment		
Balance at the beginning of the reporting period	29,912	37,442
Additions	5,283	10,408
Disposals		-
Depreciation expense	(10,234)	(17,938)
Balance at the end of the reporting period	**24,961**	**29,912**

	2017 $	2016 $

Note 9. Property, plant and equipment (continued)

	2017 $	2016 $
Total property, plant and equipment		
Balance at the beginning of the reporting period	117,884	114,508
Additions	6,121	24,360
Disposals		-
Depreciation expense	-12,990	-20,984
Balance at the end of the reporting period	**111,015**	**117,884**

Note 10. Intangible assets

	2017 $	2016 $
Franchise fee		
At cost	131,453	131,453
Less accumulated amortisation	(127,406)	(125,115)
	4,047	**6,338**
Preliminary expenses		
At cost		-
Less accumulated amortisation		-
		-
Total intangible assets	**4,047**	**6,338**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	6,338	8,629
Additions		-
Disposals		-
Amortisation expense	(2,291)	(2,291)
Balance at the end of the reporting period	**4,047**	**6,338**
Preliminary expenses		
Balance at the beginning of the reporting period		-
Additions		-
Disposals		-
Amortisation expense		-
Balance at the end of the reporting period	**-**	**-**

	2017 $	2016 $

Note 10. Intangible assets (continued)

Total intangible assets		
Balance at the beginning of the reporting period	6,338	8,629
Additions		-
Disposals		-
Amortisation expense	-2,291	-2,291
Balance at the end of the reporting period	**4,047**	**6,338**

Note 11. Trade and other payables

Current		
Unsecured liabilities:		
Trade creditors	11,448	2,210
Other creditors and accruals	47,263	23,646
	58,711	**25,856**

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

Note 12. Borrowings

Current		
Unsecured liabilities		
Bank overdraft	-	-
Secured liabilities		
Bank loan	-	-
Finance leases	-	-
	-	**-**
Non-current		
Unsecured liabilities		
Bank overdraft	-	-
Secured liabilities		
Bank loan	-	-
Finance leases	-	-
	-	**-**

Note 12. Borrowings (continued)

(a) Bank overdraft and bank loans

The company has does not operate an overdraft facility.

(b) Lease liabilities

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. None applicable to the company.

	2017 $	2016 $
Note 13. Provisions		
Current		
Employee benefits	**5,498**	**17,130**
Non-current		
Employee benefits	-	-
Total provisions	**5,498**	**17,130**
13a. Tax balances		
(a) Tax assets		
Current		
Income tax receivable	-	-
	-	**-**
Non-current		
Deferred tax asset comprises:		
- tax losses carried forward	-	-
- Provisions	7,898	42,860
	7,898	**42,860**
(b) Tax liabilities		
Current		
Income tax payable	7,898	53,422
	7,898	**10,562**

Note 14. Share capital

Ordinary shares fully paid	780,111	780,111
Bonus shares issued for no consideration		-
Less: Equity raising costs	(20,540)	(20,540)
	759,571	**759,571**

	2017 $	2016 $

Note 14. Share capital (continued)

Movements in share capital

	2017 $	2016 $
Fully paid ordinary shares:		
At the beginning of the reporting period	780,111	780,111
Shares issued during the year		-
At the end of the reporting period	**780,111**	**780,111**

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.

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	39,547	(40,154)
Profit/(loss) after income tax	148,850	132,159
Revaluation reserve	(161)	(5,651)
Dividends paid	(46,807)	(46,807)
Balance at the end of the reporting period	**141,429**	**39,547**

	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)	630,246	552,585
Less bank overdraft (Note 13)	-	-
As per the Statement of Cash Flow	**630,246**	**552,585**

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

	2017 $	2016 $
Profit / (loss) after income tax	148,850	132,159
Non-cash flows in profit		
- Depreciation	18,528	20,983
- Amortisation	7,274	2,291
- Bad debts	1,265	207
- Net (profit) / loss on disposal of property, plant & equipment		-
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(38,156)	3,641
- (increase) / decrease in prepayments and other assets	(11,148)	354
- (Increase) / decrease in deferred tax asset	-	-
- Increase / (decrease) in trade and other payables	32,855	3,396
- Increase / (decrease) in current tax liability	189	(17,323)
- Increase / (decrease) in provisions	(11,632)	13,008
Net cash flows from / (used in) operating activities	**148,025**	**158,716**

(c) Credit standby arrangement and loan facilities

Not Applicable

Note 18. Earnings per share

	2017 $	2016 $
Basic earnings per share (cents)	19	17
Earnings used in calculating basic earnings per share	148,850	132,159
Weighted average number of ordinary shares used in calculating basic earnings per share.	780,111	780,111

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.

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

(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:

- Advance Business Centres Accounting Services $15,600

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.

(d) Key management personnel shareholdings

The number of ordinary shares in Leopold Community Enterprises Limited held by each key management personnel of the company during the financial year is as follows:

	2017	2016
Trevor McFarlane	7,051	7,051
Janet McIntosh	74,051	72,551
Paul Madden	26,051	21,051
Bob Reinert	5,051	5,051
Lily Reinert	5,051	5,051
Margarette McFayden	10,000	10,000

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.

(e) Other key management transactions

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

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 Gateway Plaza, Victoria. 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

	2017 $	2016 $
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.

	2017 $	2016 $
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: Level 1, 50-58 Moorabool Street, Geelong 3220.

The principal place of business is Shop 18, 621-659 Bellarine Highway, Leopold 3224.

	2017 $	2016 $

Note 25. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year		
Fully franked ordinary dividend of 6 cents per share (2016:30%) franked at the tax rate of 6 cents per share (2017: 30%).	46,806	46,806

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 has established an Audit Committee which reports regularly to the Board. The Audit Committee 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	630,246	552,585
Trade and other receivables	6	90,540	52,384
Financial assets	7	124,486	118,996
Total financial assets		**845,272**	**723,965**
Financial liabilities			
Trade and other payables	11	58,711	25,856
Borrowings	12	10,008	-
Bank overdraft	12	-	-
Total financial liabilities		**68,718.90**	**25,856.00**

(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.

Note 26. Financial risk management (continued)

(a) Credit risk (continued)

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.

None of the assets of the company are past due (2015: 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	-%	630,246	630,246	-	-
Trade and other receivables	-%	90,540	90,540	-	-
Financial assets	-%	124,486	124,486	-	-
Total anticipated inflows		**845,272**	**845,272**	**-**	**-**
Financial liabilities					
Trade and other payables	-%	-	-	-	-
Borrowings	-%	-	-	-	-
Bank overdraft *	-%	-	-	-	-
Total expected outflows		**-**	**-**	**-**	**-**
Net inflow / (outflow) on financial instruments		**845,272**	**845,272**	**-**	**-**

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	-%	552,585	552,585	-	-
Trade and other receivables	-%	52,384	52,384	-	-
Financial assets	-%	118,996	118,996	-	-
Total anticipated inflows		**723,965**	**723,965**	**-**	**-**
Financial liabilities					
Trade and other payables	-%	-	-	-	-
Borrowings	-%	-	-	-	-
Bank overdraft *	-%	-	-	-	-
Total expected outflows		**-**	**-**	**-**	**-**
Net inflow / (outflow) on financial instruments		**723,965**	**723,965**	**-**	**-**

* 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.

	Profit $	Equity $
Year ended 30 June 2017		
+/- 1% in interest rates (interest income)	7,547	7,547
+/- 1% in interest rates (interest expense)	100	100
	7,547	**7,547**

	2017 $	2016 $

Note 26. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	6,716	6,716
+/- 1% in interest rates (interest expense)	-	-
	6,716	**6,716**

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 leopold Community Enterprises Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 14 to 46 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 2016 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.

Trevor McFarlane
Director / Chairman

Signed at Geelong on 13 September 2017.

Independent audit report

Mark SP Wilkinson
ABN 46 472 629 469
Registered Company Auditor

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LEOPOLD COMMUNITY ENTERPRISES LIMITED
ABN 39 133 061 800

Report on the Financial Report

I have audited the accompanying financial report of Leopold 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 Leopold 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 Leopold 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: 13 September 2017

Liability limited by a scheme approved under Professional Standards Legislation.

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