



Annual Report 2017

Macedon Ranges
Community Enterprises Ltd
ABN 57 130 493 499

Gisborne & District **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2017

On behalf of your Directors it is my pleasure to report on another year of growth and success for your **Community Bank**[®] branch. In a year where the banking sector has been under some public review, it is pleasing to note that the **Community Bank**[®] network and our partners at Bendigo and Adelaide Bank continue to receive favourable reviews by customers, their peers and the wider community. In September Fortune magazine ranked the **Community Bank**[®] model at #13 in the world for making an important social or environmental impact through their operations and profit-making strategies. We are proud to be a constituent part of such an organisation.

Operations

As reported last year, our branch has transitioned to the new 'Funds Transfer Pricing model'. Whilst this has altered the method of calculating the revenue share arrangements for services offered by our branch, it has not significantly impacted our overall financial performance. Your Board is pleased to report that total revenues now exceed \$1 million, an increase of 7.5% over prior year. Operating profit before donations and sponsorships increased by 10% resulting in earnings per share of 8.92 cents up from 6.35 cents in the prior year.

Our Business Footings now exceed \$150 million, and our cash, investments and funds held with Community Enterprise Foundation™ exceed \$700,000. Our business pipeline is steady and your Directors are confident of sound future growth. As a consequence your Directors are pleased to confirm that a fully franked dividend of 7 cents per ordinary share has been declared for the current year.

Community investments of \$163,499 marginally decreased from \$173,521 in the prior year. During the year a further \$75,000 was transferred to our account with Community Enterprise Foundation™ which will be directed towards future charitable projects.

Future outlook

In May we conducted a company review to address our policies and plans and to reflect our move to a maturing and sustainable entity. To assist our volunteer Directors, we plan to appoint an Executive Officer to coordinate the administration of our operations.

Our budget for the 2017/18 financial year forecasts continued growth in business footings, allowing the continuation of significant community investments. With an ever-changing banking environment we continue to review operational models in order to provide banking services to Riddells Creek in the near future.

Community investments

The company has again invested in Gisborne and district communities via a wide range of organisations and activities. Of particular note during the year were the following:

- A \$40,000 investment to allow the establishment of a Mental Health & Wellbeing Centre within Macedon Ranges Health.
- Joint major sponsor of the Macedon Ranges Business Excellence awards along with Romsey, Lancefield and Kyneton Bendigo Bank branches encouraging small-medium businesses within our region.
- Awarding of our 4th tertiary scholarship to a deserving local student, and
- Funding a Gisborne Secondary College student to attend the national Magic Moments Youth Summit in Sydney.

Since inception, Macedon Ranges Community Enterprises Limited (MRCEL) has now distributed over \$600,000 in community investments. In addition we have paid dividends to shareholders over the past four years and hold \$177,000 with Community Enterprise Foundation™ for future distributions.

Chairman's report (continued)

Our team

Our enthusiastic and supportive team continue to provide great service to branch customers. We were delighted to welcome new Branch Manager, Jane Lincoln to our team in March. Just prior to this, Sarah Barton returned from maternity leave. In the preceding months, other team members stepped up and undertook training and new roles within the branch. The sound financial result and business growth over the past 12 months is a testament to their abilities to work as a team and ensure the success of the branch. On behalf of customers, shareholders and Directors I thank and congratulate them for their efforts.

Directors

At our AGM in November 2016, Lauren Andrews was elected as a Director. Lauren brought a wealth of experience in media, public relations and strategic thinking to our Board, unfortunately for a variety of reasons Lauren is unable to continue as a Director and the Board reluctantly accepted her resignation, effective 9 October. In June 2017 Robert Patterson resigned from the Board. We thank Rob for his wise counsel and valued service over the past 9 years.

It is also appropriate to acknowledge the great assistance provided to the Board by Brian Collins (Treasurer), Gary McSwain (Secretary), Karen Clifford (Marketing & Community Investment Committee Chair) and Corinne Shaddock (Public Relations Officer). Their contribution is immense to both the company's function and delivery of great returns to the community at large.



Graham Stewart
Chairman

Manager's report

For year ending 30 June 2017

It is with great pleasure and pride that I present the Manager's report for Gisborne & District **Community Bank**[®] Branch for the year ended 30 June 2017.

The year has been one of change for our team and we continue to be empowered by the growth of our business, our ongoing personal development and passion for financial services within the communities we service.

Our commitment to being part of a group that has a vision of being 'being Australia's most customer connected bank' has seen our customer base increase to 3,000 and footings increase by \$9 million. This has been an absolute credit to our team in such a challenging economy.

Our Community Investment Program has seen us inject over \$600,000 into our local communities over the past nine years and has strengthened relationships with many community groups. We take great pride in the contribution we are making to our community and know that as we continue to grow so too will our community contributions.

A growing **Community Bank**[®] branch needs strong community support and we are grateful to the many individuals, local businesses and community groups who have joined us. If you are currently not banking with us, now is the time to make the change. I personally invite you to come and allow us to show you what a difference banking with us can make, not only for your own financial requirements but for the benefit of your the community. Our current campaigns, market competitiveness and exceptional customer service make us stand out from our competitors.

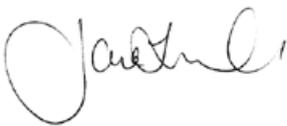
We offer local Relationship Managers specialising in Commercial Banking, Agri-business, Insurance Services and Financial Wealth Planning.

We look forward to the ongoing support of our local communities, while we continue to grow our relationships with new customers to ensure the ongoing prosperity and sustainability of the branch.

As we continue to build our business, I would like to take this opportunity to thank my team Sarah, Angela, Michelle, Janette, Melissa and Zoe. Their continued support and commitment has been significant, not only for the growth of our business, but for the exceptional customer service they provide each and every day.

My thanks also to current and past Directors who give so freely and so generously of their time, their passion to help us grow is incredibly selfless and admirable.

Finally thank you, our shareholders and our customers for banking with Gisborne & District **Community Bank**[®] Branch.



Jane Lincoln
Branch Manager

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

Graham Charles Stewart

Position	Chairman
Professional qualifications	B.Ag.Sc., Director
Other current Directorship	Netherlea Investments Pty Ltd, Antipodean Trade Group Ltd
Experience and expertise	Business Proprietor, extensive experience agricultural goods and logistics.

Paul Anthony Crothers

Position	Deputy Chairman
Professional qualifications	B.Min., Grad. Dip. Arts (Theology)
Other current Directorship	Nil
Experience and expertise	Ordained Churches of Christ Minister, extensive experience in community not for-profit organisations.

Brian Patrick Collins

Position	Treasurer
Professional qualifications	B. Com., B.Bus (Local Government), CPA
Other current Directorship	B & M Collins Investments Pty Ltd
Experience and expertise	Accountant, extensive business and financial management experience in schools and local government.

Gary Robert McSwain

Position	Company Secretary
Professional qualifications	Dip.Bus.Stud., Grad.Dip.Acc & Corp.Gov., CPA, ACIS
Other current Directorship	Gisborne & District Community Health and Hospital Board Inc., (trading as Macedon Ranges Health) and McSwain Family Superannuation Pty Ltd
Experience and expertise	Accountant, extensive finance and general management experience in insurance sector.

Karen Anne Clifford

Position	Chair, Marketing & Community Investment Committee
Professional qualifications	B.App.Sc (Phys.Ed), MBM, Director
Other current Directorship	Barham Superannuation Fund Pty Ltd
Experience and expertise	Extensive experience in consultancy roles and community not-for-profit organisations.

Adam John McKie

Position	Director
Professional qualifications	B.BMM (Vic Uni), Director
Other current Directorship	AIM Solutions Pty Ltd and AIM Super Fund
Experience and expertise	Family owned property business proprietor.

Directors' report (continued)

Directors (continued)

Andrew Robert Nicoll

Position	Director
Professional qualifications	B.A., Grad.Dip.Acc.,
Other current Directorship	Nil
Experience and expertise	Management Accountant, diverse experience in agricultural, retail and small business.

Lauren Andrews

Position	Director (Appointed 21/11/2016)
Professional qualifications	B.A. (Media Studies), MBA
Other current Directorship	Otis Foundation
Experience and expertise	Corporate Affairs Manager, financial services industry. Extensive experience in media, communications and marketing.

Robert Allan Paterson

Position	Director (Resigned 14/6/2017)
Professional qualifications	Nil
Other current Directorship	Gisborne Hardware Pty Ltd
Experience and expertise	Extensive experience in hardware industry.

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings		Audit Committee meetings	
	A	B	A	B
Robert Allan Paterson	12	12	-	-
Brian Patrick Collins	13	13	2	2
Graham Charles Stewart	13	13	2	2
Paul Anthony Crothers	13	10	-	-
Gary Robert McSwain	13	13	2	2
Karen Anne Clifford	13	11	-	-
Adam John McKie	13	12	-	-
Andrew Robert Nicoll	13	12	2	2
Lauren Andrews	8	4	-	-

A - The number of meetings eligible to attend.

B - The number of meetings attended.

N/A - not a member of that committee.

Directors' report (continued)

Company Secretary

Gary Robert McSwain has been the Company Secretary of Macedon Ranges Community Enterprises Limited since 2013.

Gary's qualifications and experience include accounting, extensive finance and general management experience in insurance sector.

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

Review of operations

The profit of the company for the financial year after provision for income tax was \$64,522 (2016 profit: \$45,912), which is a 41% increase as compared with the previous year.

Dividends

Dividends paid or declared since the start of the financial year.

A fully franked final dividend of 6 cents per share was declared in August 2016 for the year ended 30 June 2016. A fully franked dividend of 7 cents per share has been declared in July 2017 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.

Directors' report (continued)

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

Non-audit services

The Board of Directors, in accordance with advice from the Audit Committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 3 did not compromise the external Auditor's independence for the following reasons:

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

Signed in accordance with a resolution of the Board of Directors at Gisborne on 25 September 2017.



Graham Charles Stewart
Chairman

Auditor's independence declaration



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Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Macedon Ranges Community Enterprises Limited.

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there has been no contraventions of:

- (i) the Auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSD Audit
Chartered Accountants

A handwritten signature in black ink, appearing to read 'P.P. Delahunty', written over a light grey background.

P.P Delahunty
Partner
Bendigo
Dated: 26 September 2017

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

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

	Notes	2017 \$	2016 \$
Revenue	2	1,037,034	964,279
Expenses			
Employee benefits expense	3	(421,105)	(412,753)
Depreciation and amortisation	3	(25,194)	(24,603)
Bad and doubtful debts expense	3	(615)	(143)
Insurance expense		(14,317)	(14,794)
Professional fees		(17,042)	(14,000)
Occupancy expenses		(100,411)	(97,579)
IT expenses		(19,970)	(19,158)
Freight/Cartage/Delivery		(8,905)	(9,228)
Marketing and Advertising		(127,256)	(93,151)
Other expenses		(49,565)	(49,180)
		(784,380)	(734,589)
Operating profit before charitable donations and sponsorships		252,654	229,690
Charitable donations and sponsorships		(163,499)	(173,521)
Profit before income tax		89,155	56,169
Income tax expense / benefit	4	24,633	10,257
Profit for the year		64,522	45,912
Other comprehensive income		-	-
Total comprehensive income for the year		64,522	45,912
Profit attributable to members of the company		64,522	45,912
Total comprehensive income attributable to members of the company		64,522	45,912
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	15	8.92	6.35

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	286,056	428,389
Trade and other receivables	6	90,296	94,162
Financial asset	7	177,109	-
Current tax asset	4	-	4,163
Total current assets		553,461	526,714
Non-current assets			
Plant and equipment	8	33,630	27,723
Intangible assets	9	18,996	32,737
Deferred tax assets	4	8,731	6,819
Total non-current assets		61,357	67,279
Total assets		614,818	593,993
Liabilities			
Current liabilities			
Trade and other payables	10	35,283	55,450
Current tax liability	4	13,484	-
Provisions	11	26,318	24,794
Total current liabilities		75,085	80,244
Non-current liabilities			
Provisions	11	4,855	-
Total non-current liabilities		4,855	-
Total liabilities		79,940	80,244
Net assets		534,878	513,749
Equity			
Issued capital	12	704,766	704,766
Accumulated losses	13	(169,888)	(191,017)
Total equity		534,878	513,749

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

Financial statements (continued)

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

	Note	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015		704,766	(200,768)	503,998
Profit for the year		-	45,912	45,912
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	45,912	45,912
Transactions with owners, in their capacity as owners				
Dividends paid or provided	14	-	(36,161)	(36,161)
Balance at 30 June 2016		704,766	(191,017)	513,749
Balance at 1 July 2016		704,766	(191,017)	513,749
Profit for the year		-	64,522	64,522
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	64,522	64,522
Transactions with owners, in their capacity as owners				
Dividends paid or provided	14	-	(43,393)	(43,393)
Balance at 30 June 2017		704,766	(169,888)	534,878

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

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		1,155,385	943,238
Payments to suppliers and employees		(1,054,552)	(891,512)
Interest received		2,937	1,706
Income tax paid		(8,899)	(22,234)
Net cash provided by operating activities	16b	94,871	31,198
Cash flows from investing activities			
Proceeds from sale of plant and equipment		3,818	-
Payments for purchase of investments		(177,109)	-
Purchase of plant and equipment		(20,520)	(2,200)
Net cash flows used in investing activities		(193,811)	(2,200)
Cash flows from financing activities			
Dividends paid		(43,393)	(36,161)
Net cash used in financing activities		(43,393)	(36,161)
Net decrease in cash held		(142,333)	(7,163)
Cash and cash equivalents at beginning of financial year		428,389	435,552
Cash and cash equivalents at end of financial year	16a	286,056	428,389

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 Macedon Ranges Community Enterprises Limited.

Macedon Ranges Community Enterprises Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 25 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, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Economic dependency

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

The branch operates 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**[®] branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**[®] branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**[®] branches 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**[®] branches;
- 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(b) 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.

(c) 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 exclusive 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.

(d) 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.

(e) Comparative figures

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

(f) 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.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(f) Critical accounting estimates and judgements (continued)

Impairment

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

(g) 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 are set out on the proceeding pages.

- (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.
- 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(g) 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)

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) (continued)

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.

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.

- (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.

Notes to the financial statements (continued)

Note 2. Revenue

Revenue arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The entity applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction.

Rendering of services

The entity generates service commissions on a range of products issued by the Bendigo and Adelaide Bank Limited. The revenue includes upfront and trailing commissions, sales fees and margin fees.

Interest and other income

Interest income is recognised on an accrual basis using the effective interest rate method.

Gains upon disposal of non-current assets

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.

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

	2017	2016
	\$	\$
Revenue		
- service commissions	1,033,441	962,573
	1,033,441	962,573
Other revenue		
- interest received	2,937	1,706
- gain on sale of NCA	656	-
	3,593	1,706
Total revenue	1,037,034	964,279

Note 3. Expenses

Operating expenses

Operating expenses are recognised in profit or loss on an accruals basis, which is typically upon utilisation of the service or at the date upon which the entity becomes liable.

Depreciation

The depreciable amount of all fixed assets is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use.

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

Class of asset	Rate	Method
Plant and equipment	10-40%	Prime Cost
Motor vehicles	8%	Prime Cost

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 3. Expenses (continued)		
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	325,105	316,022
- superannuation costs	44,739	43,747
- other costs	51,261	52,984
	421,105	412,753
Depreciation and amortisation		
Depreciation		
- plant and equipment	11,451	10,860
	11,451	10,860
Amortisation		
- franchise fees	13,743	13,743
	13,743	13,743
Total depreciation and amortisation	25,194	24,603
Bad and doubtful debts expenses	615	143
Auditors' remuneration		
Remuneration of the Auditor, Richmond, Sinnott & Delahunty, for:		
- Audit or review of the financial report	4,900	4,600
- Share registry services	3,606	1,850
	8,506	6,450

Note 4. Income tax

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

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 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.

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 4. Income tax (continued)		
a. The components of tax expense comprise:		
Current tax expense	26,455	17,076
Deferred tax expense	(2,118)	(6,819)
Under / (over) provision of prior years	296	-
	24,633	10,257
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2016: 28.5%)	24,517	16,008
Add tax effect of:		
- Under/over provision in respect to prior years	296	-
- Change in company tax rates	282	-
- Non-deductible expenses	(462)	(5,751)
Income tax attributable to the entity	24,633	10,257
The applicable weighted average effective tax rate is:	27.63%	18.26%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	(4,162)	995
Income tax paid	(8,899)	(22,234)
Current tax	26,545	17,076
	13,484	(4,163)
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Accruals	158	-
Employee provisions	8,573	6,819
Net deferred tax asset	8,731	6,819
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(2,118)	(6,819)
Under / (over) provision prior years	206	-
	(1,912)	(6,819)

Notes to the financial statements (continued)

5. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks and other short-term highly liquid investments with original maturities of three months or less.

	2017	2016
	\$	\$
Cash at bank and on hand	286,056	428,389
	286,056	428,389

Note 6. 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 there is 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.

	2017	2016
	\$	\$
Current		
Trade receivables	90,296	94,162
	90,296	94,162

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.

Notes to the financial statements (continued)

2017
\$ **2016**
\$

Note 6. Trade and other receivables (continued)

Credit risk (continued)

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

	Gross amount \$	Not past due \$	Past due but not impaired			Past due and impaired \$
			< 30 days \$	31-60 days \$	> 60 days \$	
2017						
Trade receivables	90,296	90,296	-	-	-	-
Total	90,296	90,296	-	-	-	-
2016						
Trade receivables	94,162	94,162	-	-	-	-
Total	94,162	94,162	-	-	-	-

Note 7. Financial assets

Classification of financial assets

The company classifies its financial assets in the following categories:

- loans and receivables, and
- held to maturity investments

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.

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.

Notes to the financial statements (continued)

Note 7. Financial assets (continued)

Measurement of financial assets

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.

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.

Impairment of financial assets

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.

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.

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.

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 7. Financial assets (continued)		
Held to maturity financial assets		
Term deposits	177,109	-
	177,109	-

Note 8. Plant and equipment

Plant and equipment

Plant and equipment are 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.

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.

	2017 \$	2016 \$
Plant and equipment		
At cost	171,605	154,247
Less accumulated depreciation	(137,975)	(126,524)
Total plant and equipment	33,630	27,723
Movements in carrying amounts		
Plant and equipment		
Balance at the beginning of the reporting period	27,723	36,383
Additions	20,520	2,200
Disposals	(3,162)	-
Depreciation expense	(11,451)	(10,860)
Balance at the end of the reporting period	33,630	27,723

Notes to the financial statements (continued)

Note 9. Intangible assets

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.

	2017	2016
	\$	\$
Franchise fee		
At cost	78,713	78,713
Less accumulated amortisation	(59,717)	(45,976)
	18,996	32,737
Total intangible assets	18,996	32,737
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	32,737	46,480
Amortisation expense	(13,743)	(13,743)
Balance at the end of the reporting period	18,994	32,737

Note 10. 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.

Current

Unsecured liabilities:

Trade creditors	21,712	46,555
Other creditors and accruals	13,571	8,895
	35,283	55,450

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

Note 11. Provisions

Short-term employee benefits

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

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

Notes to the financial statements (continued)

Note 11. Provisions (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.

	2017	2016
	\$	\$
Current		
Employee benefits	26,318	24,795
Non-current		
Employee benefits	4,855	-
Total provisions	31,173	24,795

Note 12. Share capital

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.

	2017	2016
	\$	\$
723,214 Ordinary shares fully paid	723,214	723,214
Less: Equity raising costs	(18,448)	(18,448)
	704,766	704,766
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	723,214	723,214
At the end of the reporting period	723,214	723,214

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.

Notes to the financial statements (continued)

Note 12. Share capital (continued)

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.

	2017 \$	2016 \$
Note 13. Accumulated losses		
Balance at the beginning of the reporting period	(191,017)	(200,768)
Profit after income tax	64,522	45,912
Dividends paid	(43,393)	(36,161)
Balance at the end of the reporting period	(169,888)	(191,017)

Note 14. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year

Interim and final fully franked ordinary dividend of 6 cents per share (2016: 5 cents) franked at the tax rate of 27.5% (2016: 28.5%).	43,393	36,161
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A provision is made for the amount of any dividends declared, 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.

Notes to the financial statements (continued)

Note 15. 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 servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issues during the year.

	2017 \$	2016 \$
Basic earnings per share (cents)	8.92	6.35
Earnings used in calculating basic earnings per share	64,522	45,912
Weighted average number of ordinary shares used in calculating basic earnings per share.	723,214	723,214

Note 16. 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:

Cash and cash equivalents (Note 5)	286,056	428,389
As per the Statement of Cash Flow	286,056	428,389

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

Profit after income tax	64,522	45,912
Non-cash flows in profit		
- Depreciation	11,451	10,860
- Amortisation	13,743	13,743
- Bad debts	615	143
- Net profit on disposal of property, plant & equipment	(656)	-
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	3,251	(19,336)
- (Increase) / decrease in deferred tax asset	(2,118)	(4,163)
- Increase / (decrease) in trade and other payables	(24,744)	(7,345)
- Increase / (decrease) in current tax liability	-	(6,819)
- Increase / (decrease) in current tax	17,852	-
- Increase / (decrease) in other liabilities	4,577	(5,544)
- Increase / (decrease) in provisions	6,378	3,747
Net cash flows from operating activities	94,871	31,198

Notes to the financial statements (continued)

Note 17. 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.

No Director of the company receives remuneration for services as a company Director or committee member. There are no executives within the company whose remuneration is required to be disclosed.

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

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.

The Macedon Ranges 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 NIL for the year ended 30 June 2017.

(d) Key management personnel shareholdings

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

	2017	2016
Robert Allan Paterson	10,000	10,000
Brian Patrick Collins	-	-
Graham Charles Stewart	-	-
Paul Anthony Crothers	-	-
Gary Robert McSwain	-	-
Karen Anne Clifford	4,000	4,000
Adam John McKie	10,000	10,000
Andrew Robert Nicoll	-	-
Lauren Andrews	-	-
	24,000	24,000

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.

Notes to the financial statements (continued)

Note 18. 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 19. Contingent liabilities and contingent assets

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

Note 20. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one area being Gisborne, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2016: 100%).

Note 21. Commitments

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.

	2017 \$	2016 \$
Payable:		
- no later than 12 months	82,706	79,824
- between 12 months and five years	32,808	115,514
- greater than five years	-	-
Minimum lease payments	115,514	195,338

The property lease is non-cancellable lease with a five year term, with rent payable monthly in advance and with CPI increases each year.

Note 22. Company details

The registered office and principal place of business is: 11 Nexus Way, Gisborne VC 3437.

Note 23. 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.

Notes to the financial statements (continued)

Note 23. Financial risk management (continued)

Specific financial risk exposure and management (continued)

The company's financial instruments consist mainly of deposits with banks, short term investments and account receivables and payables. 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	286,056	428,389
Trade and other receivables	6	90,296	94,162
Financial assets	7	177,109	-
Total financial assets		553,461	522,551
Financial liabilities			
Trade and other payables	10	35,283	55,450
Total financial liabilities		35,283	55,450

(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.

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 (2016: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

(b) Liquidity risk

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

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

Notes to the financial statements (continued)

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

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:

	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
30 June 2017					
Financial assets					
Cash and cash equivalents	0.2%	286,056	286,056	-	-
Trade and other receivables		90,296	90,296	-	-
Financial assets	2.4%	177,109	177,109		
Total anticipated inflows		553,461	553,461	-	-
Financial liabilities					
Trade and other payables		35,283	35,283	-	-
Total expected outflows		35,283	35,283	-	-
Net inflow / (outflow) on financial instruments		518,178	518,178	-	-

	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
30 June 2016					
Financial assets					
Cash and cash equivalents	0.19%	428,389	428,389	-	-
Trade and other receivables		94,162	94,162	-	-
Total anticipated inflows		522,551	522,551	-	-
Financial liabilities					
Trade and other payables		55,450	55,450	-	-
Total expected outflows		55,450	55,450	-	-
Net inflow / (outflow) on financial instruments		467,101	467,101	-	-

(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.

Notes to the financial statements (continued)

Note 23. Financial risk management (continued)

(c) Market risk (continued)

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 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)	4,632	4,632
	4,632	4,632
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	4,284	4,284
	4,284	4,284

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.

(e) Fair values

Fair value estimation

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company.

Notes to the financial statements (continued)

Note 23. Financial risk management (continued)

(e) Fair values (continued)

Fair value estimation (continued)

	2017		2016	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair Value \$
Financial assets				
Cash and cash equivalents (i)	286,056	286,056	428,389	428,389
Trade and other receivables (i)	90,296	90,296	94,162	94,162
Financial asset	177,109	177,109	-	-
Total financial assets	553,461	553,461	522,551	522,551
Financial liabilities				
Trade and other payables (i)	35,283	35,283	55,450	55,450
Total financial liabilities	35,283	35,283	55,450	55,450

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

Directors' declaration

In accordance with a resolution of the Directors of Macedon Ranges Community Enterprises Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 10 to 34 are in accordance with the Corporations Act 2001 and:
 - (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (ii) give a true and fair view of the company's financial position as at 30 June 2017 and of the performance for the year ended on that date;
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Graham Charles Stewart
Chairman

Signed at Gisborne, Victoria on 25 September 2017.

Independent audit report



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MACEDON RANGES COMMUNITY ENTERPRISES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Macedon Ranges 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, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion:

- (a) the financial report of Macedon Ranges 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 then ended; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

Independence

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

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 60 616 244 309

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We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

Director's Responsibility for the Financial Report

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

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

Auditor's Responsibility

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

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 entity's preparation of the financial report that gives a true and fair view 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 entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion.



Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. On connection with our audit of the financial report, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSD AUDIT

Chartered Accountants

A handwritten signature in black ink, appearing to read 'P.P. Delahunty', written over a horizontal line.

P.P Delahunty

Partner

Bendigo

Dated: 26 September 2017

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