Annual Report 2018

Macedon Ranges Community Enterprises Ltd

Gisborne & District
Community Bank® Branch

ABN 57 130 493 499

Chairman's report

For year ending 30 June 2018

As we approach our 10th anniversary in November, it is my pleasure to report another year of growth in both our business and the social dividend that we have contributed to our community.
Shareholders, staff, directors and customers should all be proud to be associated with a business that has reinvested over $1 million by way of dividends and community investments.

Congratulations to the founding directors and steering committee for your vision; shareholders (original and new) for your commitment; and customers for moving to our community-focussed enterprise during this time.

The **Community Bank®** concept was born 20 years ago in June 1998. There are now 331 **Community Bank®** communities scattered across Australia that have all benefitted from their partnership with **Bendigo & Adelaide Bank**. We are proud to report that **Bendigo Bank** was recently rated the third most trusted brand in Australia and is currently Australia's most trusted bank. **Bendigo Bank** continues to deliver great products and service to our/their customers, enabling us to grow the social dividend we pay back into our respective communities. The Funds Transfer Pricing revenue model introduced last financial year is now bedded-down. I am pleased to report that Gisborne & District **Community Bank®** branch, by way of its business make-up, has benefited from its introduction.

As in all good partnerships, we continue to have strong discussions with our partners at **Bendigo Bank**. I can report that our views, often expressed through our National Community Bank Council, are listened to respectfully and, in the main, acted upon appropriately.

Operations

Your Board is pleased to report that our total annual revenue now exceeds $1.15 million, an increase of 11% over the prior year. Operating profit before donations and sponsorships increased 38%, resulting in earnings per share of 13.06 cents up from 8.92 cents in the prior year. Our business footings have surpassed $175 million and our cash plus funds held with **Community Enterprise Foundation®** now exceed our issued capital.

Due to an expanding business pipeline reflective of our "growth-corridor" status, Directors are pleased to advise that a fully franked dividend of 8 cents per ordinary share has been declared for this year.

Community investments totalled $220,156, an increase of $56,657 over the prior year. A further $15,000 was transferred to our account with **Community Enterprise Foundation®** which will be allocated towards future charitable projects as they present themselves.

Future Outlook

Directors are confident business growth will continue into the forthcoming year. To accommodate this growth, Directors recently appointed a part-time Executive Officer to attend to administrative tasks posed by our growing enterprise. With a strong dividend-return in recent years, a more liquid market for shares now exists for all investors.

Chairman's report

For year ending 30 June 2018

Community Investments
The Company has again supported local activities and groups via a myriad of community investments this past year. In particular, I wish to highlight the following:

- Awarding tertiary scholarships to three deserving local students to attend university in 2018. This is in addition to our continued support of another two students already at university; now in their second and third years.
- A $35,000 contribution towards the lighting upgrade at Tony Clarke Reserve, Macedon.
- Our second consecutive year as joint major sponsor of the Macedon Ranges Business Excellence Awards.
- Funding three local Year 10 students (one from each local high school) to attend a five-day Magic Moments Youth Leadership & Business Summit in Sydney.
- Completed payments/transferred ownership of the bus used for transporting residents of The Oaks Aged Care at Macedon Ranges Health (now part of Benetas) on visits and excursions.
- An investment of $30,000 at I.R. Robertson Recreation Reserve in Gisborne South to assist in re-establishing their equine-friendly facility; the only one in the Macedon Ranges.

It is also important to note that our investment last year of $40,000 at that helped establish a Youth Mental Health & Wellbeing Hub at Macedon Ranges Health, has provided over 1,500 consultations in its first 12 months of operation. While it is sad to acknowledge that number exists locally, we are proud to enable the provision of this service to an important group within our community.

Team
Our enthusiastic, friendly and supportive branch team continue to provide great service to local customers. The strong financial result and business growth that the branch has generated is a testament to the staff's dedication, commitment and hard work. Rather than single anyone out, I thank them all for a great team effort.

Directors
Both Paul Crothers and Lauren Andrews resigned from our Board since June 2017. On your behalf I thank them for their contribution to MRCE; especially Paul who provided 5½ years of service as a Director, including two as Deputy Chair. We have been in discussions with a number of young and emerging community leaders in regard to them joining our Board and expect some new nominations at our forthcoming AGM for your consideration. The Company has some exciting times ahead.

It is also appropriate to acknowledge the great assistance provided to the Board by: Brian Collins (Treasurer 2010 – 2017); Gary McSwain (Company Secretary & Executive Officer); Karen Clifford (Marketing & Community Investment Committee Chair); Andrew Nicoll (current Treasurer); and Corinne Shaddock (Public Relations Officer). Their contribution continues to enable the company to function smoothly and to facilitate the delivery of our community investments.

Graham Stewart
Chairman

Manager's report

For year ending 30 June 2018

It is with great pleasure that I look back over the last 12 months at what the Gisborne & District **Community Bank®** branch has achieved.

During the 2018 financial year we grew our lending by $13.9 million and deposits by $7 million, increasing our business by over $21 million. This result shows increased support from our local community and has meant our total footings have grown to over $175 million since our establishment in 2008 - a truly amazing effort.

Throughout the year we have experienced growing support from the local community with many new clients choosing to bring their banking across to **Bendigo Bank**. This has been for a number of reasons, but in particular customers comment on the fantastic support our **Community Bank®** branch provides sporting and community groups in this area. Our growth reflects the efforts of our hard-working team during a year in which we didn't always have a full complement of staff. Our staff would like to thank all of our customers for having patience during these times.

The Gisborne & District **Community Bank®** branch team was very proud to increase our support of the Magic Moments Youth Leadership & Business Summit by sending three local students from three separate local schools to the Sydney conference. We look forward to seeing the advantages they bring back to our community following this experience.

The team is excited to see the branch's community investments now exceed $800,000 over a range of organisations and activities. The branch staff were especially excited this year by investments in:

- Tony Clarke Reserve for new lights on the oval and tennis courts. This benefits many sporting groups in the Macedon area, and it was great to see them all work together and re-establish a recreation reserve advisory committee.
- I. R. Robertson Reserve to re-establish a space for adult riders and pony club in the district.
- Our continued partnerships with Macedon Ranges Health and Gisborne Soccer Club.

In May, and in addition to our community investments, a branch-staff initiative raised over $1,800 via a Biggest Morning Tea fundraiser. The funds went towards cancer research, and we hope to make this an annual event. Thank you to those who donated catering and time in setting up the display.

As we prepare to celebrate our 10th anniversary on the 19th of November 2018, we look forward to reaching the $1 million milestone for community investments.

I'd like to personally thank the staff at the branch for their dedication to our customers and community, and their hard work over the last 12 months.

My thanks also go to our volunteer Board directors. I enjoy working closely with you all and appreciate the time and effort you give in supporting and assisting the growth of our business and our ability to contribute to the local community – it shows your community spirit.

To our shareholders and customers, without your support we wouldn't exist; and without your banking and investment, we wouldn't see the benefits in our community

It is an exciting time to be at Gisborne & District **Community Bank®** branch and be part of its growth and development. I look forward to the next 12 months as we strengthen our business further and the community reaps the benefits.

Sarah Barton
Acting Branch Manager

Macedon Ranges Community Enterprises Limited
ABN: 57 130 493 499

Financial Report

For the year ended 30 June 2018

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The Directors present their report of the company for the financial year ended 30 June 2018.

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.
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 (Resigned 27/11/2017)
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	Director
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, Interim Executive Officer (Until 30/06/2018)
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
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
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)
Other current directorship	AIM Solutions Pty Ltd and AIM Super Fund
Experience and expertise	Family owned property business proprietor.

Andrew Robert Nicoll	
Position	Treasurer
Professional qualifications	B.A., Grad.Dip.Acc.,
Other current directorship	Nil
Experience and expertise	Management Accountant, diverse experience in agricultural, retail and small business.

Directors (continued)

Lauren Andrews	
Position	Director (Resigned 9/10/2017)
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.

Michelle Anne Jones	
Position	Director (Appointed 25/6/2018)
Professional qualifications	Diploma of Business Administration, Cert IV training & Assessment
Other current directorship	Nil
Experience and expertise	Former Treasurer Sunbury Basketball Association, in addition an active committee member of various local sporting associations spanning a 20 year period.

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings		Audit Committee meetings	
Director	**A**	**B**	**A**	**B**
Graham Charles Stewart	11	11	3	3
Paul Anthony Crothers	4	3	N/A	N/A
Brian Patrick Collins	11	11	3	3
Gary Robert McSwain	11	10	3	3
Karen Anne Clifford	11	9	N/A	N/A
Adam John McKie	11	11	N/A	N/A
Andrew Robert Nicoll	11	11	3	3
Lauren Andrews	3	1	N/A	N/A
Michelle Anne Jones	0	0	N/A	N/A

A - The number of meetings eligible to attend.

B - The number of meetings attended.

N/A - not a member of that committee.

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 $94,427 (2017 profit: $64,522), which is a 46.3% increase as compared with the previous year.

Dividends

A fully franked final dividend of 7 cents per share was declared and paid during the year for the year ended 30 June 2017. A fully franked dividend of 8 cents per share has been declared in July 2018 for the year ended 30 June 2018.

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

Signed in accordance with a resolution of the Board of Directors at Gisborne on 26 September 2018.

Graham Charles Stewart
Chairman

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Bendigo, Victoria
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3552

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Auditors' 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 2018 there have been no contraventions of:

(i) The auditor independence requirements 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

P. P. Delahunty
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 27 September 2018

Macedon Ranges Community Enterprises Limited
ABN 57 130 493 499
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2018

	Note	2018 $	2017 $
Revenue	2	1,153,573	1,037,034
Expenses			
Employee benefits expense	3	(466,458)	(421,105)
Depreciation and amortisation	3	(26,156)	(25,194)
Finance costs	3	(3)	-
Bad and doubtful debts expense	3	(50)	(615)
Insurance expense		(13,398)	(14,317)
Professional fees		(23,300)	(17,042)
Occupancy expenses		(100,032)	(100,411)
IT expenses		(30,443)	(19,970)
Freight/Cartage/Delivery		(6,303)	(8,905)
Marketing and Advertising		(48,411)	(127,256)
Rental expense for office equipment		(7,857)	-
Other expenses		(80,921)	(49,565)
		(803,332)	(784,380)
Operating profit before charitable donations & sponsorship		**350,241**	**252,654**
Charitable donations and sponsorships		(220,156)	(163,499)
Profit before income tax		**130,085**	**89,155**
Income tax expense	4	(35,658)	(24,633)
Profit for the year after income tax		**94,427**	**64,522**
Other comprehensive income		-	-
Total comprehensive income for the year		**94,427**	**64,522**
Profit attributable to members of the company		94,427	64,522
Total comprehensive income attributable to members of the company		**94,427**	**64,522**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	17	13.06	8.92

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

Macedon Ranges Community Enterprises Limited
ABN 57 130 493 499
Statement of Financial Position
as at 30 June 2018

	Note	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	5	538,425	286,056
Trade and other receivables	6	97,712	90,296
Financial assets	7	-	177,109
Other assets	8	5,271	-
Total current assets		**641,408**	**553,461**
Non-current assets			
Plant and equipment	9	26,528	33,630
Intangible assets	10	5,253	18,996
Deferred tax assets	4	11,094	8,731
Total non-current assets		**42,875**	**61,357**
Total assets		**684,283**	**614,818**
Liabilities			
Current liabilities			
Trade and other payables	12	49,296	35,283
Current tax liability	4	17,318	13,484
Provisions	13	34,960	26,318
Total current liabilities		**101,574**	**75,085**
Non-current liabilities			
Provisions	13	4,030	4,855
Total non-current liabilities		**4,030**	**4,855**
Total liabilities		**105,604**	**79,940**
Net assets		**578,679**	**534,878**
Equity			
Issued capital	14	704,766	704,766
Accumulated losses	15	(126,087)	(169,888)
Total equity		**578,679**	**534,878**

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

Macedon Ranges Community Enterprises Limited
ABN 57 130 493 499
Statement of Changes in Equity
for the year ended 30 June 2018

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2017		704,766	(169,888)	534,878
Comprehensive income for the year				
Profit for the year		-	94,427	94,427
Transactions with owners in their capacity as owners				
Dividends paid or provided	16	-	(50,626)	(50,626)
Balance at 30 June 2018		**704,766**	**(126,087)**	**578,679**
Balance at 1 July 2016		704,766	(191,017)	513,749
Comprehensive income for the year				
Profit for the year		-	64,522	64,522
Transactions with owners in their capacity as owners				
Dividends paid or provided	16	-	(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.

Macedon Ranges Community Enterprises Limited
ABN 57 130 493 499
Statement of Cash Flows
for the year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		1,254,425	1,155,385
Payments to suppliers and employees		(1,095,484)	(1,054,552)
Interest paid		(3)	-
Interest received		6,445	2,937
Income tax paid		(34,186)	(8,899)
Net cash flows provided by operating activities	18b	**131,197**	**94,871**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	3,818
Proceeds from sale of investments		177,109	(177,109)
Purchase of property, plant and equipment		(5,311)	(20,520)
Net cash flows from/(used in) investing activities		**171,798**	**(193,811)**
Cash flows from financing activities			
Dividends paid		(50,626)	(43,393)
Net cash flows used in financing activities		**(50,626)**	**(43,393)**
Net increase/(decrease) in cash held		**252,369**	**(142,333)**
Cash and cash equivalents at beginning of financial year		286,056	428,389
Cash and cash equivalents at end of financial year	18a	**538,425**	**286,056**

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

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 26 September 2018.

1. Summary of significant accounting policies

(a) Basis of preparation

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

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

Economic dependency

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

The branch 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®** 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®** 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.

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 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.

(d) Comparative figures

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

(e) 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.

1. Summary of significant accounting policies (continued)

(e) Critical accounting estimates and judgements (continued)

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.

(f) New and revised standards that are effective for these financial statements

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

(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 is set out on the proceeding pages

1. Summary of significant accounting policies (continued)

(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.

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.

1. Summary of significant accounting policies (continued)

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

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

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

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.

2. Revenue

	2018 $	2017 $
Revenue		
- service commissions	1,147,128	1,033,441
	1,147,128	1,033,441
Other revenue		
- interest received	6,445	2,937
- gain on sale of NCA	-	656
	6,445	3,593
Total revenue	**1,153,573**	**1,037,034**

Revenue arises from the rendering of services through its franchise agreement with 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 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.

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

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

3. Expenses

	2018 $	2017 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	380,064	325,105
- superannuation costs	51,654	44,739
- other costs	34,740	51,261
	466,458	421,105
Depreciation and amortisation		
Depreciation		
- plant and equipment	12,413	11,451
	12,413	11,451
Amortisation		
- franchise fees	13,743	13,743
	13,743	13,743
Total depreciation and amortisation	26,156	25,194

3. Expenses (continued)

	2018 $	2017 $
Finance costs		
- Interest paid	3	-
Bad and doubtful debts expenses	50	615
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	7,390	4,900

Operating expenses

Operating expenses are recognised in profit or loss on an accurals 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, including motor vehicles and plant and equipment, 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*
Plant and equipment	10-40%	Straight line
Motor vehicles	8%	Straight line

Gains/losses 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. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

4. Income tax

	2018 $	2017 $
a. The components of tax expense comprise:		
Current tax expense	38,021	26,455
Deferred tax expense	(2,248)	(2,118)
Under / (over) provision of prior years	(115)	296
	35,658	**24,633**
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% (2017: 27.5%)	35,773	24,517
Add tax effect of:		
- Under / (over) provision of prior years	(115)	296
- Changes in company tax rates	-	282
- Non-deductible expenses	-	(462)
Income tax attributable to the entity	**35,658**	**24,633**
The applicable weighted average effective tax rate is:	27.41%	27.63%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	13,483	(4,162)
Income tax paid	(34,186)	(8,899)
Current tax	38,021	26,545
	17,318	**13,484**
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Accruals	372	158
Employee provisions	10,722	8,573
Net deferred tax asset	**11,094**	**8,731**
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(2,133)	(2,118)
(Decrease) / increase in deferred tax liabilities	-	206
Under / (over) provision prior years	(115)	-
	(2,248)	**(1,912)**

4. Income tax (continued)

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 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.

5. Cash and cash equivalents

	2018	2017
	$	$
Cash at bank and on hand	249,415	286,056
Short-term bank deposits	289,010	-
	538,425	**286,056**

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.

The effective interest rate the short-term bank deposit was 2.00% in 2018; the deposits has a maturity of 90 days.

6. Trade and other receivables

	2018	2017
	$	$
Current		
Trade receivables	97,712	90,296
	97,712	**90,296**

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.

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.

6. Trade and other receivables (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	
2018	$	$	$	$	$	$
Trade receivables	97,712	97,712	-	-	-	-
Total	**97,712**	**97,712**	**-**	**-**	**-**	**-**
2017						
Trade receivables	90,296	90,296	-	-	-	-
Total	**90,296**	**90,296**	**-**	**-**	**-**	**-**

7. Financial assets

	2018 $	2017 $
Held to maturity financial assets		
Term deposits	-	177,109
	-	177,109

The effective interest rate on the bank deposit was 2.42% in 2017. This deposit had a term of 6 months, maturing on 5 October 2017.

(a) 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 entity 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 entity 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.

7. Financial assets (continued)

(b) Measurement of financial assets
At initial recognition, the entity measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost 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.

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.*

(c) Impairment of financial assets
The entity 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.

(d) 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.

8. Other assets

	2018	2017
	$	$
Prepayments	5,271	-
	5,271	**-**

Other assets represent items that will provide the entity with future economic benefits controlled by the entity as a result of past transactions or other past events.

9. Plant and equipment

	2018 $			2017 $		
	At cost	**Accumulated depreciation**	**Written down value**	**At cost**	**Accumulated depreciation**	**Written down value**
Plant and equipment	165,656	(139,128)	26,528	171,605	(137,975)	33,630
Total plant and equipment	**165,656**	**(139,128)**	**26,528**	**171,605**	**(137,975)**	**33,630**

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.

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.

(a) Capital expenditure commitments

The entity does not have any capital expenditure commitments at 30 June 2018 (2017: None)

9. Plant and equipment (Continued)

(b) Movements in carrying amounts of P&E

2018	Opening written down value $	Additions $	Disposals $	Depreciation $	Closing written down value $
Plant and equipment	33,630	5,311	-	(12,413)	26,528
Total plant and equipment	**33,630**	**5,311**	**-**	**(12,413)**	**26,528**

2017	Opening written down value $	Additions $	Disposals $	Depreciation $	Closing written down value $
Plant and equipment	27,723	20,520	(3,162)	(11,451)	33,630
Total plant and equipment	**27,723**	**20,520**	**(3,162)**	**(11,451)**	**33,630**

10. Intangible assets

	2018 $ At cost	2018 $ Accumulated amortisation	2018 $ Written down value	2017 $ At cost	2017 $ Accumulated amortisation	2017 $ Written down value
Franchise fees	78,713	(73,460)	5,253	78,713	(59,717)	18,996
Total intangible assets	**78,713**	**(73,460)**	**5,253**	**78,713**	**(59,717)**	**18,996**

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.

Movements in carrying amounts

	Opening written down value	Amortisation	Closing written down value
2018	$	$	$
Franchise fees	18,996	(13,743)	5,253
Total intangible assets	**18,996**	**(13,743)**	**5,253**

	Opening written down value	Amortisation	Closing written down value
2017	$	$	$
Franchise fees	32,739	(13,743)	18,996
Total intangible assets	**32,739**	**(13,743)**	**18,996**

11. Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are 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.

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as "fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

12. Trade and other payables

	2018 $	2017 $
Current		
Unsecured liabilities:		
Trade creditors	16,541	21,712
Other creditors and accruals	32,755	13,571
	49,296	**35,283**

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.

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

13. Provisions

	2018 $	2017 $
Current		
Employee benefits	34,960	26,318
Non-current		
Employee benefits	4,030	4,855
Total provisions	**38,990**	**31,173**

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.

13. 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.

14. Share capital

	2018 $	2017 $
723,214 Ordinary shares fully paid	723,214	723,214
Less: Equity raising costs	(18,448)	(18,448)
	704,766	**704,766**

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.

(a) 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.

14. Share capital (Continued)

(b) 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.

15. Accumulated losses

	2018 $	2017 $
Balance at the beginning of the reporting period	(169,888)	(191,017)
Profit for the year after income tax	94,427	64,522
Dividends paid	(50,626)	(43,393)
Balance at the end of the reporting period	**(126,087)**	**(169,888)**

16. Dividends paid or provided for on ordinary shares

	2018 $	2017 $
Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 7 cents per share (2017: 6 cents) franked at the tax rate of 27.5% (2017: 27.5%).	50,626	43,393

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

17. Earnings per share

	2018 $	2017 $
Basic earnings per share (cents)	13.06	8.92
Earnings used in calculating basic earnings per share	94,427	64,522
Weighted average number of ordinary shares used in calculating basic earnings per share.	723,214	723,214

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.

18. 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:

	2018 $	2017 $
Cash and cash equivalents (Note 5)	538,425	286,056
As per the Statement of Cash Flow	538,425	286,056

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

	2018 $	2017 $
Profit for the year after income tax	94,427	64,522
Non-cash flows in profit		
- Depreciation and amortisation	26,156	25,194
- Bad debts	-	615
- Net (profit) / loss on disposal of property, plant & equipment	-	(656)
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(7,416)	3,251
- (increase) / decrease in prepayments and other assets	(5,271)	-
- (Increase) / decrease in deferred tax asset	(2,363)	(2,118)
- Increase / (decrease) in trade and other payables	14,011	(24,744)
- Increase / (decrease) in current tax	3,836	17,852
- Increase / (decrease) in other liabilities	-	4,577
- Increase / (decrease) in provisions	7,817	6,378
Net cash flows from operating activities	131,197	94,871

19. Key management personnel and related party disclosures

(a) Key management personnel

Key management personnel includes any person 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. No remuneration has been paid to the directors, as the positions are held on a voluntary basis.

(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.

(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:

Karen Anne Clifford	7,000	7,000
Adam John McKie	10,000	10,000
Robert Allan Paterson (Resigned 14/06/2017)	-	10,000
	17,000	27,000

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 key management or related parties.

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.

21. Contingent liabilities and contingent assets

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

22. 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 (2017: 100%).

23. Commitments

Operating lease commitments

	2018 $	2017 $
Payable:		
- no later than 12 months	32,808	82,706
- between 12 months and five years	-	32,808
- greater than five years	-	-
Minimum lease payments	32,808	115,514

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance and with 4% increases each year.

Lease payments are for the operating lease, where substantially all the risks and benefis remain with the lessor, are recognised as expenses in the periods in which they are incurred.

24. Company details

The registered office and principal place of business is 11 Nexus Way, Gisborne, Vic, 3437

25. Financial instrument risk

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	2018 $	2017 $
Financial assets			
Cash and cash equivalents	5	538,425	286,056
Trade and other receivables	6	97,712	90,296
Financial assets	7	-	177,109
Total financial assets		**636,137**	**553,461**
Financial liabilities			
Trade and other payables	12	49,296	35,283
Total financial liabilities		**49,296**	**35,283**

(a) Credit risk

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

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

Credit risk exposures

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

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

25. Financial instrument risk (continued)

(a) Credit risk (continued)

None of the assets of the company are past due (2017: 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 2018	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1.14%	538,425	538,425	-	-
Trade and other receivables		97,712	97,712	-	-
Total anticipated inflows		636,137	636,137	-	-
Financial liabilities					
Trade and other payables		49,296	49,296	-	-
Total expected outflows		49,296	49,296	-	-
Net inflow / (outflow) on financial instruments		**586,841**	**586,841**	**-**	**-**

25. Financial instrument risk (continued)

(b) Liquidity risk (continued)

30 June 2017	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0.20%	286,056	286,056	-	-
Trade and other receivables		90,296	90,296	-	-
Financial assets	2.40%	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**	**-**	**-**

(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 company has no exposure to fluctuations in foreign currency, or any exposure to a material price risk.

The financial instruments that primarily expose the company to interest rate risk are 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.

	2018		2017	
	Profit $	Equity $	Profit $	Equity $
+/- 1% in interest rates (interest income)	5,384	5,384	4,632	4,632
	5,384	5,384	4,632	4,632

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

Macedon Ranges Community Enterprises Limited
ABN 57 130 493 499
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 7 to 35 are in accordance with the *Corporations Act 2001*

   (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 2018 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
Director

Signed at Gisborne, Victoria on 26 September 2018.

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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 2018, 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 2018 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.

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.

rsd Audit

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 2018, 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

P. P. Delahunty
Partner
Bendigo
Dated: 27 September 2018

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