





# Annual Report 2016

## Manningham Community Enterprises Limited

ABN 69 101 174 270

Doncaster East **Community Bank**® Branch
Templestowe Village **Community Bank**® Branch

# Contents

# Chairman's report

## For year ending 30 June 2016

**Banking is our business… Community is our focus.**

Our Doncaster East and Templestowe Village **Community Bank**® branches have enjoyed an excellent year of business growth in increasingly difficult trading conditions. Our partnerships with community organisations continue to reap rewards for Manningham Community Enterprises Limited whilst also becoming increasingly important to those organisations as they struggle to thrive in an environment of increasing operating costs.

The 2015/16 financial year has been one of significant growth in our business footings and an improvement in our overall profitability resulting from cost control as well as increasing revenue in a market experiencing very tight margins.

Our business model is unique amongst the banking community and we have increased our focus on helping those organisations who reciprocate our support with advertising and promotion whilst also conducting their banking with our branches. We have increased our support of those organisations that support us and have unashamedly told other seekers of support that, "If you scratch our back we will scratch yours".

**Business volume**

This increased focus on reciprocity has seen our combined business volume across the two branches grow to $334.1 million at 30 June 2016 which is a 10.7% increase on the 30 June 2015 figure.

The Doncaster East **Community Bank**® Branch grew by $22.8 million or 10.3% whilst the Templestowe Village **Community Bank**® Branch grew by $9.6 million or 11.9%.

The ratio of deposits to loans of 59%/41% at Doncaster East and 45%/55% at Templestowe Village provides an interesting spread of business across the branches and highlights the different markets that they operate in and therefore the different marketing approaches that are required for each branch.

**Financial results**

Whilst the 2015/16 financial year has seen a significant increase in business footings (10.7%), revenue has only increased by $96,698 or 4.9% which is an indication of the challenge we face with very tight margins meaning that significant increases in business volumes are required to provide increases in revenue.

Management of operating expenses has been a key element of the improved operating result for 2015/16 with an increase of only $35,566 or 2% in expenses which has allowed the Directors to announce a very pleasing full year Profit Before Income Tax of $258,273, an increase of $61,132 or 31% over 2014/15.

**Community Enterprise Foundation™ grants**

Our Community Enterprise Foundation™ grant funding set aside during 2015/16 totaled $146,176 and brought the total contribution to our local community from the Community Enterprise Foundation™ to $1.192 million.

We were delighted to select 16 local community groups and not-for-profit organisations to receive grants at our Community Enterprise Foundation™ presentation night to be held in August 2016.

These grants will be presented to organisations supporting programs for domestic violence prevention, disability support, social responsibility, job skills, youth and the disadvantaged in our community.

Directors, shareholders, staff and our customers should feel very proud of what a difference these funds are making to our Manningham community.

My thanks go to the members of the Community Enterprise Foundation™ Committee, Chairperson Carly Kluge, Jim Christie, Geoff Roberts, Paul Thompson and Chris Cahir.

### Our staff

Our staff are one of our greatest assets and again they have been ably lead by Senior Manager, Paul Thompson and Templestowe Village **Community Bank**® Branch Manager, Chris Cahir. All of our amazing employees have contributed enormously to the continued success of Manningham Community Enterprises Limited through their willingness to invest their time and energy into our business, our customers, our partners and the wider community. Their involvement in community is outstanding and I would like to acknowledge these efforts on behalf of all Directors.

### Your Board

My sincere appreciation goes to your 2015/16 Board of Directors – Geoff Roberts (VC), Catherine Ainsworth, Ray Barrington, Darren Bourke, Daryl Brown, Jim Christie, Rod Davitt, Nicky White (Treasurer) and Victoria Paouros (Company Secretary). The commitment and dedication of each and every Board member has contributed significantly to the past success of MCEL and will provide the platform for the future success of your company.

During the year we saw the retirement of Ray Lord from the Board after many years of committed service. Ray’s dedication to the Board and the company has been an inspiration to us all and his incredible work ethic, expertise and good humour is to be applauded and acknowledged by all of us.

We also saw the resignation from the Board of Serah Van Haeften who left to spend more time with family and the development of her corporate legal career. Serah’s input to the Board was substantial and her professionalism and expertise will also be missed.

Heather Herbert also retired from the Board during the year, leaving behind a legacy of superb work in the Youth portfolio. Heather was very committed to providing development opportunities for our younger generation and was tireless in her efforts to support our Junior Observers and to further develop the program to benefit these young students

### Sponsorship & Marketing Committee

Geoff Roberts stepped up into the lead role of the Sponsorship & Marketing Committee with Darren Bourke being sidelined for the short term due to work commitments.

With the support of our Community Liaison Officer Carly Kluge and a hard working team of Darren Bourke, Ray Barrington, Rod Davitt, Paul Thompson, Chris Cahir and Lisa Jones, the Committee has been able to put in place a number of new initiatives that will ultimately streamline the way the committee interfaces with our community partners and as a result, will lead to greater efficiencies and return for our Sponsorship and Marketing dollar.

### Human Resources Committee

The Human Resources Committee of Nicky White, Geoff Roberts, Ray Barrington and Paul Thompson and lead by Catherine Ainsworth has maintained its focus on developing and supporting our people whilst also supporting the creation of a new position that is currently being recruited.

Our Branch Managers approached the HR Committee with a request for branch support to ensure that sufficient staff were always available to provide service to our customers. The request was for a part time position of three days a week. A number of discussions lead to the agreement that we would employ a full time staff member with Mandarin speaking skills thus allowing staffing needs to be met whilst addressing the prime focus of business development.

I would like to acknowledge the work of the HR Committee and the commitment of our Managers to work co-operatively to solve problems whilst also focusing on business development.

### Governance Committee

The Governance Committee worked hard during the year to commence the development of Board skills matrix to ensure that an appropriate succession plan was in place, with any Board member recruitment being targeted towards individuals having the right skills to fill any identified gaps.

# Chairman's report (continued)

In preparation for the development of the 2017-2020 Strategic Plan a review of the 2012-2017 Plan was conducted to ensure that we had achieved all that we had planned to achieve and if not, to ensure that we understand the status of all outstanding matters so that they can be carried forward to the 2017-2020 Plan.

The Committee Chair was Rod Davitt and he was ably supported by Jim Christie, Catherine Ainsworth and Nick Furlong.

**Finance Committee**

Under the leadership of Geoff Roberts the Finance Committee has worked to ensure that our Treasurer has been supported in her task of providing timely and accurate financial information to the Board.

Thanks must go to Chair, Geoff Roberts, Nicky White (Treasurer), Jim Christie, Rod Davitt and Paul Thompson. The work this committee does and the provision of timely Financial Reports is critical to the good Governance of this business.

**Youth Engagement Committee**

This committee was a little disrupted this year with the resignation from the Board of Serah Van Haeften but nonetheless we continued with our Junior Observer Program which selects a number of students from Year 11 to 'sit on' the Board of MCEL. Victoria Paouros and Nick Furlong took a leadership role in this area and did a wonderful job.

This year we welcomed from Whitefriars College – Nick Dunmill and Patrick Hogan and from Doncaster Secondary College – Isaac Fakhri and Miranda Papanastasiou to the program. The program is designed to help develop future leaders.

The committee is now reviewing how we go about involving and engaging with Youth and the coming year is very exciting with a number of plans afoot to further develop in this area.

The Committee of Victoria Paouros, Ray Barrington, Nicky White, Nick Furlong and Katherine Georgakopoulos are to be acknowledged for their commitment and involvement in this aspect of our business.

**The coming year**

The past few years have seen us adjust to the more competitive banking market but we have exceeded expectations in this past year but the Board will not become complacent with recent success.

The next challenge we will face will be the implementation of a Funds Transfer Pricing model of income calculation, which is expected to reduce our income in the short term. Whilst this is a challenge we will be working hard to increase our business footings to at least minimise any negative impact that this may have on our business.

We have structured our business to ensure we are in a strong position to face these challenges, with new Marketing and Sponsorship impetus from the appointment of Carly Kluge as our Community Liaison Officer, the development of our staff to take on more of a business growth role, an even closer relationship with our community partners and an increased emphasis on their need to support the bank in return for our support.

I ask that you all become 'disciples' of your bank because it is through business growth that we provide a return to shareholders and to the local community. Finally, I want to acknowledge all of my fellow Board members as it is their hard work, enthusiasm, commitment and professionalism that makes being a part of this amazing banking model so rewarding and such a success.

**Ian Goldsmith**
**Chairman**

# Senior Manager's report

## For year ending 30 June 2016

Your **Community Bank**® branches at Doncaster East and Templestowe Village have now been open for just over thirteen years and seven years respectively. In that time, the branches have consistently met proposed business expansion levels with the total business over the two sites at $334.1 million.

The community within Manningham and surrounding suburbs should be proud of their efforts that went into creating their two **Community Bank**® branches and the way it has supported the branches once the front doors were opened in Doncaster East back in March 2003 and Templestowe Village in December 2009.

I would like to acknowledge the efforts of our dedicated staff. To each member of both branches I thank you for your outstanding contribution to our business growth. At Doncaster East we have Lisa, Catherine, Kerryn, Emily, Tina and Elise. Templestowe Village is ably managed by Chris with his staff of Lauren, Michelle and Kim.

All staff continue to display a high level of professionalism, a comment that is regularly stated to me as I speak with customers that support our branches.

I would also like to thank the Board of Directors, our shareholders and the Bendigo Bank support team at our Regional Office.

I would especially like to congratulate and thank the Board on how it has developed a strong community engagement attitude towards its sponsorships and donations policy. This has assisted in our Board members and staff being actively involved in the local community and continuing to be interactive with our customers.

On a financial side, I am very pleased to report that both branches continued to grow during the 2015/16 financial year, achieving very solid growth results against budget. During the year we recorded $32.46 million in combined growth while our customer's numbers grew to 5,447.

Our combined balances totalled $334.1 million, which was made up by deposits at $182.9 million and total lending at $151.2 million, maintaining our good mix of business.

The community focus of the branch and positive benefit it brings to the local communities is evident. As highlighted in the Chairman's report, the branch has allocated thousands of dollars to a range of local not-for profit organisations.

Spreading the word still remains a key phrase. Our existing customers have been instrumental in referring new business to our branch, and it is gratifying to see the confidence of our customers in helping to create our successful branches.

Once again I ask that you all continue to play your part in the growth of our branches by spreading the word about the very personal and professional banking service provided by your **Community Bank**® branches.

As our business grows, so will our community support.

**Paul Thompson**
**Senior Manager**

# Templestowe Village Manager's report

## For year ending 30 June 2016

Building on a solid 2014/15 financial year, 2015/16 saw another year of growth for the Templestowe Village **Community Bank**® Branch, taking us beyond the $90 million mark in footings and putting the $100 million mark firmly in our sights. Outside the core deposit taking and lending functionality of the branch, the staff skillset is constantly evolving in order to keep pace with the changing face of revenue generation at branch level. To this end a significant sales training program has been implemented by Bendigo and Adelaide Bank to ensure our staff are able to keep pace with our offering and ensure the customer experience is at the forefront of every interaction.

Staff stability and continuity is one of many elements which assist in creating a positive customer experience, so it is pleasing that we have been able to maintain our staff at the Templestowe Village **Community Bank**® Branch with once again no changes over the 2015/16 financial year. With a focus on rewarding high performance, we were able to promote Lauren Bagala to the position of Customer Relationship Manager this year. This was a great reward for effort for Lauren who was also recognised at a regional level, receiving the 'Staff Member of the Year Award' for the Northern Region. I would like to thank Lauren, Michelle Ellard and Kim Nihill for their efforts and continued focus on improvement which saw the branch receive the 'Rising Star Award' for our region. I would also like to thank the Board and Paul for their continued support and guidance.

In an increasingly competitive and challenging banking environment, it is pleasing to see that the daily efforts of both branches continue to add benefit to the community in the form of grants and sponsorship. This wouldn't be possible without the support and advocacy of our customers. We still only have a small share of the Manningham market, so the more people trying us out and sharing their experiences, the greater our opportunity to benefit the wider community and our shareholders. Spread the word!

**Chris Cahir**
**Branch Manager**

# Directors' report

## For the financial year ended 30 June 2016

Your directors submit the financial statements of the company for the financial year ended 30 June 2016.

**Directors**

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

**Ian Graham Goldsmith**

Chairman

Occupation: Chief Executive Officer

Ian has over 40 years experience in the hospital, aged care, ambulance and health insurance sectors in senior executive positions He is a Certified Practising Accountant (CPA) and is currently Chief Executive Officer of Edith Bendall Lodge Aged Care in Pascoe Vale. Ian is also Treasurer of the board of Mayfield Education, a private not for profit vocational education provider for the health and community services sector and he is also Treasurer of the board of the Rotary Club of Manningham and a very active member of Rotary.

Interest in shares: 12,500

**Geoffrey Bruce Roberts**

Vice-Chairman

Occupation: Management Consultant/Investor

Geoff has had over thirty five years of experience in the manufacturing, distribution, clothing and footwear industries having worked as a Senior Marketing Executive with the McPherson Group of companies, Director and CEO roles with the Yakka Group and more recently with Oliver Footwear. Whilst in these roles also he sat on many Industry boards. He has significant community involvement with his work with Rotary International. His qualifications include a Graduate Diploma of Business studies and has attended many professional development programs over the years.

Interest in shares: 5,000

**Nicola Christine White**

Treasurer

Occupation: Bookkeeper

Nicky and her family moved from South Africa to Australia at the end of 1997. She has been a resident of Manningham since her arrival in Australia. She has worked as a bookkeeper within the **Community Bank**® network for many years . Nicky is a registered BAS Agent and has a Certificate IV in bookkeeping.

Interest in shares: Nil

**James Douglas Christie RFD**

Director

Occupation: Business Consultant

James brings a wealth of experience from his former career, both in Australia and overseas, as a senior executive in the retail-banking sector. James also served as a Lieutenant Colonel in the Australian Army Reserve. He currently works as a consultant to Bendigo and Adelaide Bank Limited mentoring both new and established **Community Bank**® companies. He has served as an elected member of the **Community Bank**® Strategic Advisory Board and is also currently a Director of Principled Mortgage Investments Limited. He is a Member of the Australian Institute of Company Directors and a former Fellow of both the Australian Institute of Banking and Finance and the Australian Institute of Management.

Interest in shares: 25,001

Directors (continued)

**Directors (continued)**

**Raymond Bruce Barrington**

Director

Occupation: Retired

Raymond has had 10 years banking and finance experience in ES&A and ANZ Bank. He has a wealth of experience in small business having run the family business for 20 years. He has been a board member of the Manningham Centre for the past two years.

Interest in shares: 7,501

**Daryl Lindsay George Brown**

Director

Occupation: Accountant/Taxation Agent

Daryl has been in the finance industry all his working life. His experience includes corporate management in the manufacturing industry as well as has having his own Public Accounting Practice specializing in Small Business Development. The practice has been operating for 32 years. He is a Certified Practising Accountant, is a Director of a number of private companies and sits on the Board of a number of not-for-profit organisations. Daryl is very community minded and has been involved in many community projects through his Church, the Rotary Club of Manningham and MCEL. He is chairman of MCEL Special Projects Committee.

Interest in shares: 8000

**Darren William Bourke**

Director

Occupation: General Manager - Concept Logistics Transport

Darren has nearly 30 years experience in the transport industry having held senior Management positions with Concord Park Transport, Toll Express & currently is employed with the Silk Logistics Group WA Freight division as National Account & Operations Manager Print Media division. Darren has always been an active member within the City of Manningham and has held the role of club President for the past eight years at East Doncaster Cricket Club and was recently awarded the Manningham Citizen of the year for 2013. Over the past five years Darren has created a number of vital Community relationships within Manningham with Doncare, Onemda & Bulleen Heights Special Schools where he has engaged the community and provided much needed support to these organisations.

Interest in shares: Nil

**Catherine Grace Victoria Ainsworth**

Director

Occupation: CEO and Company Director

Catherine has led both private and public sector businesses for more than 25 years in diverse industries including pharmaceuticals, agribusiness and biotechnology. Specific expertise includes strategic planning, marketing and corporate communication, stakeholder management and business development. Catherine has an MBA from the Melbourne Business School and is a Graduate of the Australian Institute of Company Directors. Catherine is currently the CEO of Pony Club Australia and a Non-Executive Director of Harness Racing Victoria, the Australian Horse Industry Council and the Australian Meat Processor Corporation.

Interest in shares: Nil

**Directors (continued)**

**Colin Roderick Davitt**

Director

Occupation: Business Consultant

Rod brings extensive experience across a range of industries and specific finance experience gained in Australia and Asia with a range of blue chip banking and insurance companies. Rod's skill base includes corporate governance, accounting, business and strategic planning and risk management gained through current board roles, formal qualifications and more than 30 years working with leading Australian and international organisations. He holds degrees in Business (Accounting) and Economics, is a Fellow of CPA Australia (FCPA) and a graduate member of the Australian Institute of Company Directors (GAICD).

Interest in shares: Nil

**Victoria George Paouros**

Company Secretary (Appointed 25 August 2016)

Occupation: Law student

Victoria Paouros was elected Company Secretary of MCEL on 14 November 2013. After having served a period as Minute Secretary from August 2012. Victoria was one of the Board's Inaugural Junior Observers in 2009 and is currently working towards her LLB (Hons) and an Advanced Diploma of Management (Human Resources). She has also completed a number of training courses since joining the Board, including: a Diploma of Business, Certificate IV in Training and Education, Certificate in Governance Practice, an AICD 'Finance for Directors' course and an 'Understanding the Role of Company Secretary' course.

Interest in shares: Nil

**Serah Van Haeften**

Director (Appointed 19 November 2015, Resigned 1 May 2016)

Occupation: Lawyer

Interest in shares: Nil

**Raymond Thomas Lord**

Director (Resigned 25 February 2016)

Occupation: Retired

Raymond has forty years experience in the sporting, community and service industries. He has significant community involvement with Horticultural Therapy, Community Radio, Children with Down Syndrome, Blind Sports Victoria, and other sporting clubs. His qualifications include a Graduate Diploma of Welfare Studies, Certificate of Business Studies (Administration & Management) and Justice of the Peace.

Interest in shares: 6,251

**Heather Elizabeth Herbert**

Director (Resigned 19 November 2015)

Occupation: Retired

Heather has lived in the Manningham area since 1965 when she and her husband, Lloyd, bought their first home. Heather has been married for 43 years and has three adult children and a granddaughter. For more than 25 years Heather was a member of Bulleen Tennis Club and was a committee member for 25 years where she held many different positions and represented the club on several district committees and the VTA Council. In February 2008 Heather was invited to join the Templestowe Village Steering Committee and has enjoyed all the challenges involved with helping to establish a **Community Bank**® at Templestowe at the end of 2009. She has also been a HR Officer at RMIT University, and holds a Trained Primary Teachers Certificate, Associate Diploma HR, Master of Applied Science (Innovation & Service Management), and has completed several short courses.

Interest in shares: 7,000

### Directors (continued)

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

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

### Company Secretary

The Company Secretary is Victoria George Paouros, Victoria took over as Secretary from Raymond Lord, on 28 November 2013. Victoria participated in MCEL's inaugural Junior Observer Programme and served as Minute Secretary from August 2012 until November 2013. Victoria is a part time law student at the Victoria Law School and has completed a number of training courses including: Diploma of Business, Certificate IV in Training and Education, 'Understanding the Role of Company Secretary', Certificate in Governance Practice and 'Finance for Directors'.

### Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank®** services under management rights to operate franchised branches of Bendigo and Adelaide Bank Limited.

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

### Operating results

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

| Year ended 30 June 2016 $ | Year ended 30 June 2015 $ |
|---|---|
| 181,751 | 131,200 |

### Operating and financial review

Operations

The challenging market conditions experienced during 2014/15 continued throughout 2015/16. Despite this the company increased its operating result from $197,141 to $258,273 Profit Before Income Tax. Revenue growth during the period shows a 4.9% increase from $1.978 million to $2.075 million driven by slightly improved Margin Income. Total expenses including charitable donations, sponsorships, advertising and promotion increased by $35,566 or 2.0%. Combined business volume across the two branches increased over the previous year to $334.1 million or 10.7%. The lending/deposit ratio was 45:55 compared to 53:47 in 2014/15 continuing to be a positive spread of the business.

Financial Position

The company's Total Assets increased by $75,947 or 6% with profitability contributing to an improved Cash and Cash Equivalents of $95,417 or 11.5%. Depreciation and Amortisation on Plant and Equipment and Intangible Assets contributed to a reduction in Non-Current Assets of $69,770 or 16%. Total Liabilities increased by $28,020 or 12.2% driven mainly by a $47,732 increase in Current Tax Liabilities. Total Equity increased by $52,123 or 5.1% to $1,073,860 impacted by lower than 2014/15 Accumulated Losses. During the year the company paid a fully franked dividend of 6 cents per share.

Drivers of Performance and Business Strategies

The results achieved in 2015/16 have been driven mainly by an increase in revenue, lower employee expenses and system costs. Sponsorships, Charitable Donations, Advertising and Promotions increased by $64,023 or 29.8%. The Business Volume growth of nearly 5%, despite ongoing challenging market conditions, reflects the strong community presence the two branches continue to enjoy. Our community visibility and relationships with groups such as Rotary, Onemda, Doncare and a variety of sports clubs help grow our market share in the Manningham area. In addition the board's strong relationship with Bendigo and Adelaide Bank Ltd will continue to grow our customer base.

**Remuneration report**

Remuneration Policy

The remuneration policy of Manningham Community Enterprise Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the company's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the company, as well as create goal congruence between directors, executives and shareholders.

Key Management Personnel Remuneration Policy

Key management personnel receive a base salary, superannuation and performance incentives.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the company's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the board's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

Key management personnel also receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

Employment agreements were entered into with key management personnel.

Remuneration Structure

All directors are independent non-executive directors and are paid directors' fees as disclosed below.

Non-executive director remuneration policy:

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and regularly reviews the amount of fees paid, based on market practices, duties and accountability.

The maximum aggregate amount of fees that can be paid to non-executive directors requires approval by shareholders as required by the Corporations Act 2001 and NSX listing rules.

Fees for non-executive directors are not linked to the performance of the company.

Performance based remuneration

The company does not pay performance based remuneration to any director.

**Remuneration report (continued)**

Company performance, shareholder wealth and directors' and executives' remuneration

The following table shows the gross revenue, profits and dividends for the last 8 years for the entity, as well as the share prices at the end of the respective financial years. Analysis of the actual figures shows excellent growth in revenue, increased payments to community groups and projects as well as consistent returns to shareholders. The improvement in the company's performance over the last 8 years has been reflected in the company's share price with an increase each year, with the exception of 2009 when the share price fell in line with the business valuation and subsequent bonus share issue. The Board is of the opinion that these results can be attributed, in part, to the previously described remuneration policy and is satisfied with the overall trend in shareholder wealth over the past 8 years.

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|---|---|
| Revenue | 2,074,668 | 1,977,970 | 2,011,655 | 2,126,374 | 2,053,008 | 1,896,071 | 1,481,080 | 1,197,210 |
| Net profit | 181,751 | 131,200 | 48,994 | 181,918 | 34,122 | 167,024 | 107,478 | 173,134 |
| Share price at year end | 0.60 | 0.65 | 0.70 | 0.90 | 0.90 | 1.00 | 0.85 | 0.90 |
| Net dividend paid | 129,628 | 151,232 | 194,441 | 194,441 | 172,837 | 108,023 | 71,501 | 71,501 |

**Directors' remuneration**

For the year ended 30 June 2016 the directors received total remuneration including superannuation, as follows:

| | $ |
|---|---|
| Ian Graham Goldsmith | 4,770 |
| Geoffrey Bruce Roberts | 7,000 |
| Nicola Christine White | 4,770 |
| James Douglas Christie RFD | 4,770 |
| Raymond Bruce Barrington | 4,770 |
| Daryl Lindsay George Brown | 4,770 |
| Darren William Bourke | - |
| Catherine Grace Victoria Ainsworth | 4,770 |
| Colin Roderick Davitt | 4,770 |
| Victoria George Paouros (Appointed 25 August 2016) | - |
| Serah Van Haeften (Appointed 19 November 2015, Resigned 1 May 2016) | - |
| Raymond Thomas Lord (Resigned 25 February 2016) | 4,770 |
| Heather Elizabeth Herbert (Resigned 19 November 2015) * | 4,770 |
| | **49,930** |

### Directors' remuneration (continued)

Transactions with Directors

Nicola Christine White performed bookkeeping services to the value of $11,880 (2015: $11,880)

Raymond Thomas Lord performed marketing services to the value of $1,910 (2015: $9,250)

Options issued as part of remuneration for the year ended 30 June 2016

No options have been issued as part of remuneration for the year ended 30 June 2016.

Employment Contracts of Directors

There are no employment contracts for directors.

Remuneration of Executives

Remuneration package paid to the Senior Manager of the company for the year ended 30 June 2016 was in the range $160,000 to $190,000 (2015: $150,000 to $180,000).

### Community Bank® Directors' Privileges Package

The board has adopted the **Community Bank®** Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank®** branches at Doncaster East and Templestowe. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the Directors from the Directors' Privilege Package are $Nil for the year ended 30 June 2016 (2015: $46).

### Directors' shareholdings

| | Balance at start of the year | Changes during the year | Balance at end of the year |
|---|---|---|---|
| Ian Graham Goldsmith | 12,500 | - | 12,500 |
| Geoffrey Bruce Roberts | 5,000 | - | 5,000 |
| Nicola Christine White | - | - | - |
| James Douglas Christie RFD | 25,001 | - | 25,001 |
| Raymond Bruce Barrington | 7,501 | - | 7,501 |
| Daryl Lindsay George Brown | 8,000 | - | 8,000 |
| Darren William Bourke | - | - | - |
| Catherine Grace Victoria Ainsworth | - | - | - |
| Colin Roderick Davitt | - | - | - |
| Victoria George Paouros (Appointed 25 August 2016) | - | - | - |
| Serah Van Haeften (Appointed 19 November 2015, Resigned 1 May 2016) | - | - | - |
| Raymond Thomas Lord (Resigned 25 February 2016) | 6,251 | - | 6,251 |
| Heather Elizabeth Herbert (Resigned 19 November 2015) | 8,000 | (1,000) | 7,000 |

### Dividends

| | Year ended 30 June 2016 | |
|---|---|---|
| | **Cents** | **$** |
| Dividends paid in the year: | 6 | 129,628 |

### Significant changes in the state of affairs

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

### Events since the end of the financial year

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

### Likely developments

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

### Environmental regulation

The company is not subject to any significant environmental regulation.

### Indemnification and insurance of directors and officers

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

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

### Directors' Meetings

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

| | Board Meetings Attended | | Committee Meetings Attended | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Finance | | Human Resources | | Marketing & Sponsorship | | Community Enterprise Foundation | | Youth Engagement & Cultural Diversity | | Council Liaison | | Governance | |
| | A | B | A | B | A | B | A | B | A | B | A | B | A | B | A | B |
| Ian Graham Goldsmith | 11 | 11 | 3 | 3 | - | - | - | - | 1 | 1 | - | - | - | - | - | - |
| Geoffrey Bruce Roberts | 11 | 9 | 3 | 2 | - | - | 11 | 7 | 1 | 1 | - | - | 3 | 3 | - | - |
| Nicola Christine White | 11 | 8 | 3 | 3 | 2 | 1 | - | - | - | - | 5 | 3 | - | - | - | - |
| James Douglas Christie RFD | 11 | 7 | 3 | 2 | - | - | - | - | 1 | 1 | - | - | - | - | 5 | 5 |
| Raymond Bruce Barrington | 11 | 10 | - | - | 2 | 2 | 11 | 9 | - | - | 5 | 3 | 3 | 3 | - | - |
| Daryl Lindsay George Brown | 11 | 7 | - | - | - | - | - | - | - | - | - | - | 3 | 3 | - | - |
| Darren William Bourke | 11 | 6 | - | - | - | - | 11 | 8 | - | - | - | - | - | - | - | - |
| Catherine Grace Victoria Ainsworth | 11 | 10 | - | - | 2 | 2 | - | - | - | - | - | - | - | - | 5 | 5 |
| Colin Roderick Davitt | 11 | 9 | 3 | 3 | - | - | 11 | 6 | - | - | - | - | - | - | 5 | 5 |
| Victoria George Paouros * | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Serah Van Haeften ** | 5 | 3 | - | - | - | - | - | - | - | - | 3 | 3 | - | - | 1 | 1 |
| Raymond Thomas Lord *** | 6 | 6 | 1 | 1 | - | - | - | - | - | - | | | - | - | 3 | 1 |
| Heather Elizabeth Herbert **** | 4 | 3 | - | - | - | - | - | - | - | - | 2 | 2 | - | - | - | - |

A - eligible to attend
B - number attended

* - (Appointed 25 August 2016)
** - (Appointed 19 November 2015, Resigned 1 May 2016)
*** - (Resigned 25 February 2016)
**** - (Resigned 19 November 2015)

### Proceedings on behalf of the company

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

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

### Non audit services

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

The board of directors has considered the position, in accordance with the advice received from the finance committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

### Non audit services (continued)

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

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

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 17.

Signed in accordance with a resolution of the board of directors at Doncaster East, Victoria on 12 September 2016.

**Ian Graham Goldsmith,**
**Chairman**

# Auditor's independence declaration

Partners in success

Chartered Accountants

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

As lead auditor for the audit of Manningham Community Enterprises Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

**Andrew Frewin Stewart**
61 Bull Street, Bendigo Vic 3550
Dated: 12 September 2016

**David Hutchings**
**Lead Auditor**

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

# Financial statements

## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

| | Notes | 2016 $ | 2015 $ |
|---|---|---|---|
| Revenue from ordinary activities | 4 | 2,074,668 | 1,977,970 |
| Employee benefits expense | | (906,118) | (961,944) |
| Charitable donations, sponsorship, advertising and promotion | | (279,580) | (215,557) |
| Occupancy and associated costs | | (272,839) | (260,242) |
| Systems costs | | (67,706) | (81,242) |
| Depreciation and amortisation expense | 5 | (61,094) | (62,582) |
| Finance costs | 5 | (44) | (94) |
| General administration expenses | | (229,014) | (199,168) |
| **Profit before income tax expense** | | **258,273** | **197,141** |
| Income tax expense | 6 | (76,522) | (65,941) |
| **Profit after income tax expense** | | **181,751** | **131,200** |
| **Total comprehensive income for the year** | | **181,751** | **131,200** |
| **Earnings per share for loss attributable to the ordinary shareholders of the company:** | | **¢** | **¢** |
| Basic earnings per share | 22 | 8.41 | 6.07 |

The accompanying notes form part of these financial statements.

## Balance Sheet
## as at 30 June 2016

| | Notes | 2016 $ | 2015 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 7 | 782,189 | 686,772 |
| Trade and other receivables | 8 | 194,327 | 144,027 |
| **Total Current Assets** | | **976,516** | **830,799** |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 9 | 291,535 | 324,588 |
| Financial assets | 10 | 10,000 | 10,000 |
| Intangible assets | 11 | 44,418 | 69,798 |
| Deferred tax asset | 12 | 19,920 | 31,257 |
| **Total Non-Current Assets** | | **365,873** | **435,643** |
| **Total Assets** | | **1,342,389** | **1,266,442** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 13 | 105,804 | 127,908 |
| Current tax liabilities | 12 | 57,615 | 9,883 |
| Provisions | 14 | 93,286 | 90,894 |
| **Total Current Liabilities** | | **256,705** | **228,685** |
| **Non-Current Liabilities** | | | |
| Provisions | 14 | 11,824 | 16,020 |
| **Total Non-Current Liabilities** | | **11,824** | **16,020** |
| **Total Liabilities** | | **268,529** | **244,705** |
| **Net Assets** | | **1,073,860** | **1,021,737** |
| **Equity** | | | |
| Issued capital | 15 | 1,138,759 | 1,138,759 |
| Accumulated losses | 16 | (64,899) | (117,022) |
| **Total Equity** | | **1,073,860** | **1,021,737** |

The accompanying notes form part of these financial statements.

## Statement of Changes in Equity for the year ended 30 June 2016

| | Issued capital $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|
| **Balance at 1 July 2014** | **1,138,759** | **(96,990)** | **1,041,769** |
| **Total comprehensive income for the year** | **-** | **131,200** | **131,200** |
| **Transactions with owners in their capacity as owners:** | | | |
| Shares issued during period | - | - | - |
| Costs of issuing shares | - | - | - |
| Dividends provided for or paid | - | (151,232) | (151,232) |
| **Balance at 30 June 2015** | **1,138,759** | **(117,022)** | **1,021,737** |
| **Balance at 1 July 2015** | **1,138,759** | **(117,022)** | **1,021,737** |
| **Total comprehensive income for the year** | **-** | **181,751** | **181,751** |
| **Transactions with owners in their capacity as owners:** | | | |
| Shares issued during period | - | - | - |
| Costs of issuing shares | - | - | - |
| Dividends provided for or paid | - | (129,628) | (129,628) |
| **Balance at 30 June 2016** | **1,138,759** | **(64,899)** | **1,073,860** |

The accompanying notes form part of these financial statements.

## Statement of Cash Flows
## for the year ended 30 June 2016

| | Notes | 2016<br>$ | 2015<br>$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 2,217,561 | 2,186,881 |
| Payments to suppliers and employees | | (1,983,668) | (1,894,036) |
| Interest received | | 11,309 | 14,475 |
| Interest paid | | (44) | (94) |
| Income taxes paid | | (17,453) | (49,892) |
| **Net cash provided by operating activities** | **17** | **227,705** | **257,334** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (2,660) | (434) |
| **Net cash used in investing activities** | | **(2,660)** | **(434)** |
| **Cash flows from financing activities** | | | |
| Dividends paid | | (129,628) | (151,232) |
| **Net cash used in financing activities** | | **(129,628)** | **(151,232)** |
| **Net increase in cash held** | | **95,417** | **105,668** |
| Cash and cash equivalents at the beginning of the financial year | | 686,772 | 581,104 |
| **Cash and cash equivalents at the end of the financial year** | **7(a)** | **782,189** | **686,772** |

The accompanying notes form part of these financial statements.

# Notes to the financial statements

## For year ended 30 June 2016

## Note 1. Summary of significant accounting policies

**a) Basis of preparation**

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

The following amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2015, and are therefore relevant for the current financial year.

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.
- AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.

None of the amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2015, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The following accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) become effective in future accounting periods.

## Note 1. Summary of significant accounting policies (continued)

**a) Basis of preparation (continued)**

Application of new and amended accounting standards (continued)

| | Effective for annual reporting periods beginning on or after |
|---|---|
| AASB 9 Financial Instruments, and the relevant amending standards. | 1 January 2018 |
| AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15. | 1 January 2018 |
| AASB 16 Leases | 1 January 2019 |
| AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations. | 1 January 2016 |
| AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation. | 1 January 2016 |
| AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants. | 1 January 2016 |
| AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements. | 1 January 2016 |
| AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. | 1 January 2018 |
| AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle. | 1 January 2016 |
| AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101. | 1 January 2016 |
| AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception. | 1 January 2016 |
| AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses. | 1 January 2017 |
| AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107. | 1 January 2017 |

The company has not elected to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2015. Therefore the abovementioned accounting standards or interpretations have no impact on amounts recognised in the current period or any prior period.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branches at Doncaster East and Templestowe, Victoria.

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

## Note 1. Summary of significant accounting policies (continued)

**a) Basis of preparation (continued)**

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** 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 manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

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

**b) Revenue**

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

Revenue calculation

Over the period from September 2013 to February 2015, Bendigo and Adelaide Bank Limited conducted a review of the **Community Bank®** model, known as 'Project Horizon'. This was conducted in consultation with the **Community Bank®** network. The objective of the review was to develop a shared vision of the **Community Bank®** model that positions it for success now and for the future.

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, director and staff development and a sustainable financial model. This will include changes to the financial return for **Community Bank®** companies from 1 July 2016. A funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products will be through margin share. Margin on core banking products will be shared on a 50/50 basis.

## Note 1. Summary of significant accounting policies (continued)

**b) Revenue**

Revenue calculation (continued)

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

Interest paid by customers on loans less interest paid to customers on deposits

plus any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,

minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan. From 1 July 2016, both will mean the cost for Bendigo and Adelaide Bank Limited to borrow the money in the market.

Products and services on which margin is paid include variable rate deposits and variable rate home loans. From 1 July 2016, examples include Bendigo Bank branded at call deposits, term deposits and home loans.

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

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products. This currently also includes Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these will become margin products from 1 July 2016.

Fee income

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

Ability to change financial return

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

## Note 1. Summary of significant accounting policies (continued)

**b) Revenue (continued)**

Ability to change financial return (continued)

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

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

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

Monitoring and changing financial return

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

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

As discussed above in relation to Project Horizon, among other things, there will be changes in the financial return for **Community Bank**® companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin.

The Board is yet to appreciate the full impact of the above changes on our revenue moving forward. We would anticipate that by the time of this year's AGM we will be able to inform our shareholders of the likely outcomes of the new model.

The Board is continuing to work with Bendigo and Adelaide Bank Ltd to understand any potential changes to revenue and will provide further details as appropriate in due course.

**c) Income tax**

Current tax

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

Deferred tax

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

## Note 1. Summary of significant accounting policies (continued)

**c) Income tax (continued)**

Deferred tax (continued)

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

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

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

Current and deferred tax for the period

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

**d) Employee entitlements**

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

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

**e) Cash and cash equivalents**

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

**f) Trade receivables and payables**

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

## Note 1. Summary of significant accounting policies (continued)

**g) Property, plant and equipment**

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

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

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

| | |
|---|---|
| • leasehold improvements | 40 years |
| • plant and equipment | 2.5 - 40 years |
| • furniture and fittings | 4 - 40 years |

**h) Intangibles**

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

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

**i) Payment terms**

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

**j) Borrowings**

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

**k) Financial instruments**

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

## Note 1. Summary of significant accounting policies (continued)

**k) Financial instruments (continued)**

Classification and subsequent measurement (continued)

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(iv) Financial liabilities

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

Impairment

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

**l) Leases**

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

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

**m) Provisions**

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

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

## Note 1. Summary of significant accounting policies (continued)

**n) Contributed equity**

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

**o) Earnings per share**

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

**p) Goods and Services Tax**

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

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

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

## Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

## Note 2. Financial risk management (continued)

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2016 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

## Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

## Note 3. Critical accounting estimates and judgements (continued)

### Taxation (continued)

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

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

### Estimation of useful lives of assets

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

### Impairment of assets

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

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

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

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

### Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

## Note 3. Critical accounting estimates and judgements (continued)

Fair value measurement (continued)

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

## Note 4. Revenue from ordinary activities

| | 2016 $ | 2015 $ |
|---|---|---|
| Operating activities: | | |
| - services commissions | 1,837,068 | 1,725,490 |
| - other revenue | 226,218 | 238,849 |
| **Total revenue from operating activities** | **2,063,286** | **1,964,339** |
| Non-operating activities: | | |
| - interest received | 11,382 | 13,631 |
| **Total revenue from non-operating activities** | **11,382** | **13,631** |
| **Total revenues from ordinary activities** | **2,074,668** | **1,977,970** |

| | 2016 $ | 2015 $ |
|---|---|---|

## Note 5. Expenses

| | 2016 $ | 2015 $ |
|---|---|---|
| Depreciation of non-current assets: | | |
| - plant and equipment | 9,593 | 11,081 |
| - leasehold improvements | 18,706 | 18,706 |
| - motor vehicle | 7,414 | 7,414 |
| Amortisation of non-current assets: | | |
| - franchise agreement | 4,614 | 4,615 |
| - franchise renewal fee | 20,767 | 20,766 |
| | **61,094** | **62,582** |
| Finance costs: | | |
| **- interest paid** | **44** | **94** |
| **Bad debts** | **990** | **2,354** |
| **Loss on disposal of asset** | **-** | **110** |

## Note 6. Income tax expense

| | 2016 $ | 2015 $ |
|---|---|---|
| The components of tax expense comprise: | | |
| - Current tax | 72,974 | 70,295 |
| - Movement in deferred tax | 10,612 | (5,999) |
| - Adjustment to deferred tax to reflect change to tax rate in future periods | 726 | 1,645 |
| - Under/over provision in respect tp prior years | (7,790) | - |
| | **76,522** | **65,941** |
| The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows | 76,522 | |
| Operating profit | 258,273 | 197,141 |
| Prima facie tax on profit from ordinary activities at 28.5% (2015: 30%) | 73,607 | 59,142 |
| Add tax effect of: | | |
| - non-deductible expenses | 2,579 | 5,154 |
| - timing difference expenses | (3,212) | 5,999 |
| - other deductible expenses | - | - |
| | **72,974** | **70,295** |
| Movement in deferred tax | 10,612 | (5,999) |
| Adjustment to deferred tax to reflect change of tax rate in future periods | 726 | 1,645 |
| Under/over provision in respect tp prior years | (7,790) | - |
| | **76,522** | **65,941** |

| | 2016 $ | 2015 $ |
|---|---|---|

## Note 7. Cash and cash equivalents

| | | |
|---|---|---|
| Cash at bank and on hand | 388,438 | 302,454 |
| Term deposits | 393,751 | 384,318 |
| | **782,189** | **686,772** |
| **Note 7.(a) Reconciliation to cash flow statement** | | |
| The above figures reconcile to the amount of cash shown in the Statement of Cash Flows at the end of the financial year as follows: | | |
| Cash at bank and on hand | 388,438 | 302,454 |
| Term deposits | 393,751 | 384,318 |
| | **782,189** | **686,772** |

## Note 8. Trade and other receivables

| | | |
|---|---|---|
| Trade receivables | 171,995 | 127,569 |
| Prepayments | 21,468 | 15,667 |
| Other receivables and accruals | 864 | 791 |
| | **194,327** | **144,027** |

## Note 9. Property, plant and equipment

| | | |
|---|---|---|
| Leasehold improvements | | |
| At cost | 379,558 | 379,558 |
| Less accumulated depreciation | (142,765) | (124,059) |
| | **236,793** | **255,499** |
| Plant and equipment | | |
| At cost | 159,633 | 156,974 |
| Less accumulated depreciation | (121,223) | (111,631) |
| | **38,410** | **45,343** |
| Motor vehicles | | |
| At cost | 37,071 | 37,071 |
| Less accumulated depreciation | (20,739) | (13,325) |
| | **16,332** | **23,746** |
| **Total written down amount** | **291,535** | **324,588** |

## Note 9. Property, plant and equipment (continued)

| | 2016 $ | 2015 $ |
|---|---|---|
| **Movements in carrying amounts:** | | |
| Leasehold improvements | | |
| Carrying amount at beginning | 255,499 | 274,205 |
| Additions | - | - |
| Disposals | - | - |
| Less: depreciation expense | (18,706) | (18,706) |
| **Carrying amount at end** | **236,793** | **255,499** |
| Plant and equipment | | |
| Carrying amount at beginning | 45,343 | 56,100 |
| Additions | 2,659 | 12 |
| Disposals | - | - |
| Less: depreciation expense | (9,592) | (10,769) |
| **Carrying amount at end** | **38,410** | **45,343** |
| Motor vehicles | | |
| Carrying amount at beginning | 23,746 | 31,160 |
| Additions | - | - |
| Disposals | - | - |
| Less: depreciation expense | (7,414) | (7,414) |
| **Carrying amount at end** | **16,332** | **23,746** |
| **Total written down amount** | **291,535** | **324,588** |

## Note 10. Financial assets

| | | |
|---|---|---|
| **Loan - Edenhope & District Financial Services Limited** | **10,000** | **10,000** |

The loan is an interest free loan with repayment of the principal originally due five years from the date of the loan agreement in 2017. The Manningham Community Enterprises Limited Board offered an extension on the loan and Edenhope & District Financial Services Limited have accepted resolving that payment of the loan will be made by 2022 to allow Edenhope to consolidate as a company and be in a position to repay the loan at that time.

| | 2016 $ | 2015 $ |
|---|---|---|

## Note 11. Intangible assets

| | | |
|---|---|---|
| Franchise fee | | |
| At cost | 101,138 | 101,138 |
| Less: accumulated amortisation | (93,062) | (88,448) |
| | **8,076** | **12,690** |
| Establishment fee | | |
| At cost | 46,063 | 46,063 |
| Less: accumulated amortisation | (46,063) | (46,063) |
| | **-** | **-** |
| Renewal processing fee | | |
| At cost | 161,258 | 161,258 |
| Less: accumulated amortisation | (124,916) | (104,150) |
| | **36,342** | **57,108** |
| **Total written down amount** | **44,418** | **69,798** |

## Note 12. Tax

| | | |
|---|---|---|
| **Current:** | | |
| **Income tax payable** | **57,615** | **9,883** |
| **Non-Current:** | | |
| Deferred tax assets | | |
| - accruals | 1,793 | 1,012 |
| - employee provisions | 28,905 | 30,470 |
| - tax losses carried forward | - | - |
| | **30,698** | **31,482** |
| Deferred tax liability | | |
| - accruals | 238 | 225 |
| - property, plant and equipment | 10,540 | - |
| | **10,778** | **225** |
| **Net deferred tax asset** | **19,920** | **31,257** |
| **Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income** | **11,337** | **(4,354)** |

| | 2016 $ | 2015 $ |
|---|---|---|

## Note 13. Trade and other payables

| | 2016 $ | 2015 $ |
|---|---|---|
| Trade creditors | 44,327 | 74,481 |
| Other creditors and accruals | 61,477 | 53,427 |
| | **105,804** | **127,908** |

## Note 14. Provisions

| | 2016 $ | 2015 $ |
|---|---|---|
| **Current:** | | |
| Provision for annual leave | 41,432 | 46,652 |
| Provision for long service leave | 51,854 | 44,242 |
| | **93,286** | **90,894** |
| **Non-Current:** | | |
| **Provision for long service leave** | **11,824** | **16,020** |

## Note 15. Contributed equity

| | 2016 $ | 2015 $ |
|---|---|---|
| 2,160,461 ordinary shares fully paid (2015: 2,160,461) | 1,185,461 | 1,185,461 |
| Less: equity raising expenses Doncaster East | (22,075) | (22,075) |
| Less: equity raising expenses Templestowe | (24,627) | (24,627) |
| | **1,138,759** | **1,138,759** |

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

## Note 15. Contributed equity (continued)

Rights attached to shares (continued)

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 346. As at the date of this report, the company had 360 shareholders.

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

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

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

The National Stock Exchange (NSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the 'base number test' is not, as a result the base number clause does not operate whilst the company remains listed on the NSX.

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

| | 2016 $ | 2015 $ |
|---|---|---|

## Note 16. Accumulated losses

| | 2016 $ | 2015 $ |
|---|---|---|
| Balance at the beginning of the financial year | (117,022) | (96,990) |
| Net profit from ordinary activities after income tax | 181,751 | 131,200 |
| Dividends paid or provided for | (129,628) | (151,232) |
| **Balance at the end of the financial year** | **(64,899)** | **(117,022)** |

## Note 17. Statement of Cash Flows

| | 2016 $ | 2015 $ |
|---|---|---|
| Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities | | |
| Profit from ordinary activities after income tax | 181,751 | 131,200 |
| Non cash items: | | |
| - depreciation | 35,713 | 37,201 |
| - amortisation | 25,381 | 25,381 |
| - loss on disposal of asset | - | 110 |
| Changes in assets and liabilities: | | |
| - (increase)/decrease in receivables | (50,300) | 26,062 |
| - (increase)/decrease in other assets | 11,337 | 6,166 |
| - increase/(decrease) in payables | (22,105) | 14,044 |
| - increase/(decrease) in provisions | (1,804) | 7,287 |
| - increase/(decrease) in current tax liabilities | 47,732 | 9,883 |
| **Net cash flows provided by operating activities** | **227,705** | **257,334** |

## Note 18. Leases

| | 2016 $ | 2015 $ |
|---|---|---|
| Operating lease commitments | | |
| Non-cancellable operating leases contracted for but not capitalised in the financial statements | | |
| Payable - minimum lease payments: | | |
| - not later than 12 months | 211,675 | 207,777 |
| - between 12 months and 5 years | 293,482 | 393,014 |
| - greater than 5 years | - | - |
| | **505,157** | **600,791** |

The property leases for the Templestowe branch is a non-cancellable leases with a five-year term, with rent payable monthly in advance. The current lease commenced 17 March 2015 and has an option to extend for additional five year term.

The property leases for the Doncaster East branch is a non-cancellable leases with a five-year term, with rent payable monthly in advance. The current lease commenced 1 October 2012 and has an option to extend for additional five year term.

# Notes to the financial statements (continued)

| | 2016<br>$ | 2015<br>$ |
|---|---|---|

## Note 19. Auditor's remuneration

| | | |
|---|---|---|
| Amounts received or due and receivable by the | | |
| auditor of the company for: | | |
| - audit and review services | 5,250 | 5,050 |
| - share registry services | 4,056 | 3,939 |
| - other non audit services | 4,531 | 2,875 |
| | 13,837 | 11,864 |

## Note 20. Director and related party disclosures

| | | |
|---|---|---|
| Key Management Personnel Remuneration | | |
| Short-term employee benefits | 49,930 | 28,760 |
| | **49,930** | **28,760** |

Detailed remuneration disclosures are provided in the remuneration report, included as part of the directors' report.

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Transactions with Key Management Personnel: | | |
| Raymond Thomas Lord performed marketing and consultancy services to the value of | 1,910 | 9,250 |
| Nicola Christine White performed bookkeeping services to the value of | 11,880 | 11,880 |

## Note 21. Dividends paid or provided

| | | |
|---|---|---|
| **a. Dividends paid during the year** | | |
| Current year dividend | | |
| 100% (2015: 100%) franked dividend - 6 cents (2015: 7 cents) per share | 129,628 | 151,232 |
| The tax rate at which dividends have been franked is 30% (2015: 30%). | | |
| **b. Franking account balance** | | |
| Franking credits available for subsequent reporting periods are: | | |
| - franking account balance as at the end of the financial year | 21,550 | 59,652 |
| - franking credits that will arise from payment of income tax as at the end of the financial year | 57,615 | 9,883 |
| - franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year | - | - |
| **Franking credits available for future financial reporting periods:** | **79,165** | **69,535** |

| | 2016 $ | 2015 $ |
|---|---|---|

## Note 21. Dividends paid or provided (continued)

**b. Franking account balance (continued)**

| | | |
|---|---|---|
| - franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period | - | - |
| Net franking credits available | 79,165 | 69,535 |

## Note 22. Earnings per share

| | | |
|---|---|---|
| (a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share | 181,751 | 131,200 |

| | Number | Number |
|---|---|---|
| (b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 2,160,461 | 2,160,461 |

## Note 23. Events occurring after the reporting date

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

## Note 24. Contingent liabilities and contingent assets

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

## Note 25. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Doncaster East and Templestowe, Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

## Note 26. Registered office/Principal place of business

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

**Registered Office**

900 - 902 Doncaster Road
Doncaster East VIC 3109

**Principal Place of Business**

900 - 902 Doncaster Road
Doncaster East VIC 3109

128 James Street
Templestowe VIC 3106

## Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

| | Floating interest | | Fixed interest rate maturing in | | | | | | Non interest bearing | | Weighted average | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 1 year or less | | Over 1 to 5 years | | Over 5 years | | | | | |
| **Financial instrument** | **2016 $** | **2015 $** | **2016 $** | **2015 $** | **2016 $** | **2015 $** | **2016 $** | **2015 $** | **2016 $** | **2015 $** | **2016 %** | **2015 %** |
| **Financial assets** | | | | | | | | | | | | |
| Cash and cash equivalents | 387,938 | 301,954 | 393,751 | 384,318 | - | - | - | - | 500 | 500 | 1.50 | 2.26 |
| Receivables | - | - | - | - | - | - | - | - | 171,995 | 127,569 | N/A | N/A |
| **Financial liabilities** | | | | | | | | | | | | |
| Payables | - | - | - | - | - | - | - | - | 44,327 | 74,481 | N/A | N/A |
| Payables | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | N/A | N/A |

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

## Note 27. Financial instruments (continued)

Sensitivity Analysis (continued)

As at 30 June 2016, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Change in profit/(loss) | | |
| Increase in interest rate by 1% | 7,817 | 6,863 |
| Decrease in interest rate by 1% | 7,817 | 6,863 |
| Change in equity | | |
| Increase in interest rate by 1% | 7,817 | 6,863 |
| Decrease in interest rate by 1% | 7,817 | 6,863 |

# Directors' declaration

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

In the opinion of the directors:

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

   (i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

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

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

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

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

**Ian Graham Goldsmith,**
**Chairman**

Signed on the 12th of September 2016.

# Independent audit report

AFS
Partners in success
Chartered Accountants

## Independent auditor's report to the members of Manningham Community Enterprises Limited

### Report on the financial report

We have audited the accompanying financial report of Manningham Community Enterprises Limited, which comprises the balance sheet as at 30 June 2016, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our 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, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

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# Independent audit report (continued)

### Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

### Auditor's opinion on the financial report

In our opinion:

1. The financial report of Manningham Community Enterprises Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2016 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Manningham Community Enterprises Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

**Andrew Frewin Stewart**
61 Bull Street, Bendigo Vic 3550
Dated: 12 September 2016

**David Hutchings**
**Lead Auditor**

# NSX report

**Share information**

In accordance with National Stock Exchange listing rules, the company provides the following information as at 11 October 2016, which is within six weeks of this report being sent to shareholders.

The following table shows the number of shareholders, broken into various categories showing the total number of shares held:

| Number of shares held | Number of shareholders | Number of shares held |
|---|---|---|
| 1 to 1,000 | 53 | $ 34,206 |
| 1,001 to 5,000 | 195 | $ 560,752 |
| 5,001 to 10,000 | 44 | $ 349, 501 |
| 10,001 to 100,000 | 65 | $ 1,216,002 |
| 100,001 and over | | $ 0 |
| **Total shareholders** | **364** | **$ 2, 160,461** |

Each of the above shareholders are entitled to one vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than five percent of the voting rights) as each shareholder is entitled to one vote. Normally holding more than five percent of the total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the company.

There are nine shareholders holding less than a marketable parcel of shares ($500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to $1 per share. There are no unquoted equity securities.

**The following table shows the 10 largest shareholders:**

| Shareholder | Number of fully paid shares held | Percentage of issued capital |
|---|---|---|
| Thomas Leigh Pty Ltd <The Waring Family Superannuation Fund> | 82,002 | 3.8% |
| Richard Everritt Thorne | 80,250 | 3.71% |
| Reolade Pty Ltd <Salmon Superfund A/C> | 79,500 | 3.68% |
| Northern Suburbs Secretarial Services Pty Ltd <Juleton A/C> | 45,000 | 2.08% |
| John Alexander Kent | 37,500 | 1.74% |
| Winpar Holdings Limited | 35,750 | 1.65% |
| Russel Breadmore & Lynne Breadmore <R & L Breadmore Superfund A/C> | 35,000 | 1.62% |
| Betty Mitchell | 30,000 | 1.39% |
| Judy Anne Tutty & Marcus James Tutty | 25,000 | 1.16% |
| James Douglas Christie and Deborah Anne Christie <Christie Super Fund A/C> | 25,000 | 1.16% |
| | **475,002** | **21.99%** |

**Registered office and principal administrative office**

The registered office of the company is located at:
900 Doncaster Road,
Doncaster East VIC 3109
Telephone: (03) 9840 2028

The principal administrative office of the company is located at:
900 Doncaster Road,
Doncaster East VIC 3109
Telephone: (03) 9840 2028

**Security register**

The security register (share register) is kept at:
AFS & Associates
61-65 Bull Street,
Bendigo VIC 3550
Telephone: (03) 5443 5304

**Company Secretary**

Victoria Paouros was elected Company Secretary of Manningham Community Enterprises Limited on 28 November 2013 after serving as Minute Secretary from August 2012 until November 2013. Victoria was one of the Board's inaugural Junior Observers in 2009 and is currently working towards her LLB (Hons) and an Advanced Diploma of Management (Human Resources). She has also completed a number of training courses since joining the Board, including: Diploma of Business, Certificate IV in Training and Education, Certificate in Governance Practice, Finance for Directors and Understanding the Role of Company Secretary.

**Corporate Governance**

The company has implemented various corporate governance practices which include:

(a) An audit committee - the membership of which is made up by Catherine Ainsworth, James Christie and Colin Roderick Davitt;

(b) Director approval of operating budgets and monitoring of progress against these budgets;

(c) Ongoing Director training, and representation at both State and National Conferences; and

(d) Monthly Director meetings to discuss operational performance and performance against strategy.

**Annexure 3A**

There are no material differences between the information in the company's Annexure 3A and the information in the financial documents in its annual report.

**Five-Year summary of performance**

| | | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|
| Net profit before tax | $ | 36,900 | 261,500 | 67,880 | 197,140 | 258,270 |
| Total assets | $ | 1,351.000 | 1,402,000 | 1,255,000 | 1,266,000 | 1,342,000 |
| Total liabilities | $ | 151,100 | 214,400 | 213,500 | 244,700 | 268,500 |
| Total equity | $ | 1,200,000 | 1,187,000 | 1,042,000 | 1,021,000 | 1,073,000 |

Doncaster East **Community Bank**® Branch
900 Doncaster Road, Doncaster East VIC 3109
Phone: (03) 9840 2028  Fax: (03) 9840 2162
www.bendigobank.com.au/doncaster_east

Templestowe Village **Community Bank**® Branch
128 James Street, Templestowe VIC 3106
Phone: (03) 9846 1455  Fax: (03) 9846 4643
www.bendigobank.com.au/templestowe-village

Franchisee: Manningham Community Enterprises Limited
900 Doncaster Road, Doncaster East VIC 3109
Phone: (03) 9840 2028
ABN: 69 101 174 270

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