



Annual Report 2016

Mansfield & District
Community Enterprises Ltd

ABN 92 124 069 914

Contents

Chairman's report	2
Manager's report	4
Directors' report	6
Auditor's independence declaration	12
Financial statements	13
Notes to the financial statements	17
Directors' declaration	40
Independent audit report	41

Chairman's report

For year ending 30 June 2016

It gives me great pleasure to present the Chairman's report for 2016.

I'm pleased to report that the year has been a successful one in terms of branch business. At the end of the year our footings (total business) stood at over \$107 million, a significant increase on the previous year (\$93 million). Our total customer numbers have increased significantly, to in excess of 2,000. Against all industry trends the number of in-branch transactions has remained steady. These are great results in the face of significant challenges in the banking sector. Credit for these results is due to many parties.

The Board is delighted with the work of Branch Manager Matt Currie and his branch team. The staff group is cohesive, hard-working, skilled and friendly. Jess, Julia and Stevie have all been in their roles for over a year now and their experience and skills are growing by the day. They were recently joined by Leanne, who has had prior experience with the Bendigo Bank in Melbourne. One of Matt's initiatives has been trialling different branch staffing arrangements which provides staff with greater opportunity to spend more time with customers; the initial feedback is very positive.

We are pleased that the branch is growing its customer numbers, as this represents an embracing by customers of what our **Community Bank**[®] branch offers, and of our points of difference. Our **Community Bank**[®] branch has competitive products, friendly and efficient staff, extended opening hours, and a proven track record for ploughing its profits back into the community. We are a bank unlike any of our competitors.

Over the past year, our Mansfield and District community has benefited in many ways from the assistance of the **Community Bank**[®] branch. Our flagship project, enabling the renovation and extension of the Bonnie Doon Recreation Reserve buildings, is in now in the third year of a five-year commitment. Many other projects have been supported by us through ongoing partnerships, with the Jamieson Autumn Festival, Mansfield Arts Council and more recently Beolite Village being just three. Other grant recipients over the past year have included Landcare groups, Hall Committees, sporting groups and schools. We are also pleased to have continued to support budding community leaders, through our sponsorship of a participant in the Alpine Valleys Community Leadership Program.

Our **Community Bank**[®] company continues to benefit from a Board that contributes significant time, energy and talent to the task of managing the company, with a mixture of long-standing experienced Directors and newer recruits. In the past year we have welcomed Toby Permezel, who has recently taken on the role of Secretary and Nicole Nally. It is worth noting in particular the contribution of Haley Tudor-Harrop who has stepped back to be an 'ordinary' Board member after a long period of service as Treasurer and more recently Secretary. An even longer serving Board member is Noel Willaton who has indicated that he will not be seeking re-election when his current term ends at the Annual General Meeting. Noel was one of the initial Board members, and has served the Board in a quiet but effective background role since its inception.

The Board continues to juggle the competing demands on the **Community Bank**[®] company, seeking to find a balance between the various stakeholders endeavouring to reward our shareholders, contribute to our community and grow the 'business' of banking. Financial success, as measured in our progress toward restoring our initial capital base, does provide us with options that we haven't previously had, and we look forward to discussing this with our shareholders in the year ahead.

Chairman's report (continued)

The Board is pleased that it has once again been able to provide a modest return to shareholders for the fifth year in a row, so that to date we have been able to declare some \$150,000 in dividends, including \$30,000 to be paid in October 2016. Beyond that we hope that our shareholders are able to take some pride in the achievements of the **Community Bank**[®] company established with their capital; pride in providing a growing and distinctive banking business, pride in the local young (and not so young) people who have been employed by the branch, pride that their **Community Bank**[®] branch is able to provide tangible assistance in helping to build and strengthen our Mansfield community.

We look forward to continuing to serve the Mansfield and district community in the year ahead.

A handwritten signature in black ink, appearing to read 'Tim Ross'.

Tim Ross
Chairman

Manager's report

For year ending 30 June 2016

It is with pleasure that I submit the Branch Managers report for the Mansfield & District **Community Bank**[®] Branch.

The last 12 months has seen growth across many areas of the business. This is a fantastic result given the competitive industry and the economic conditions we operate in.

Mansfield & District **Community Bank**[®] Branch ended the financial year with total business of \$107.4 million. This reflects growth of \$14 million on last year's results. In the current environment this is a really positive outcome. The branch also grew its customer numbers to 2,123. These results show that the **Community Bank**[®] branch is well supported by the local community and brand awareness continues to grow.

We have been able to achieve this result, in part, due to the strength of the **Community Bank**[®] model, and the point of difference that this provides. This point of difference is our community contributions, which assist our local groups and clubs, and help to support community events and projects. We believe that our success is closely linked to the success of our communities.

In the past 12 months the Mansfield & District **Community Bank**[®] Branch has continued ongoing partnerships with the Bonnie Doon Football Netball Club, Mansfield Arts Council and the Jamieson Autumn Festival. We also began a three-year sponsorship with Beolite Village to build a bridge and walking track for residents. This will assist with daily activity and also allow residents to connect with the Farmhouse Childcare Centre.

Over the past 12 months, more than \$50,000 was contributed to Mansfield and surrounding districts, to support a variety of community projects. Some of these projects included:

- In the area of Community Capacity and Building Projects, we have supported the CWA Mansfield Branch with \$5,000 to update their kitchen facilities, so they can cater for community events and equip them to assist with emergency relief support.
- We are committed to strengthening our community by continuing to sponsor a community member on the Alpine Valleys Community Leadership Program and also sponsoring secondary college students to attend a short leadership course – Camp Awakenings.
- In the area of environment, we have supported Merton Landcare to build bird boxes at Merton wetlands, and continue to sponsor the Up2Us Landcare event as part of National Tree Planting day.
- Sport and Recreation projects included sponsoring Mansfield Junior Netball Club to assist them with new uniforms, and providing seed funding for Mansfield Tennis Association to go towards new court and training facilities.
- A Community Event was held for the first time, providing low cost entertainment for the community and raising funds for a local cause. A successful outdoor movie event was held by the staff, raising \$1,500 for Relay for Life. At the time of writing this report the branch team are working on this year's community event – Community Carnival in the Park, which will raise funds for Mansfield Mates, a program designed to assist people suffering from Mental Health issues.
- The staff at the branch have also continued to participate in Meals on Wheels, and once again ran Mansfield's Million Paws Walk which raised much needed funds for the RSPCA.

The branch team saw some changes over the past 12 months with Erin leaving the team after 18 months. Thank you to Erin for her contribution. Our newest staff member Leanne has joined the team and has fit right in. Make sure you come in and say hello and welcome her to the team.

Our other staff, Jess, Julia and Stevie have continued their outstanding work from last year. They provide high quality service and have really contributed to the growth of our business. This has been endorsed by the positive feedback we receive from customers. Well done to the team for another successful year.

Manager's report (continued)

The branch staff couldn't have achieved all of this alone. We are fortunate to have a close working relationship with Bendigo Bank head office, state office and regional support staff. Specifically, I would like to acknowledge the support from our Regional Bendigo and Adelaide Bank support team of Mark Brown (Senior Manager Strategy & Performance), Kendall Beattie (Senior Manager Community Relationship), Brian O'Keefe (Risk & Compliance Manager), and Chris Patullo (People Operations Manager). Thank you for your ongoing help and support.

I would also like to acknowledge the support of our Board of Directors, who provide exceptional guidance for our local team. The strategic direction and guidance set by the Board will see the Mansfield & District **Community Bank**[®] Branch continue to maintain our strong community focus and ensure we remain a relevant banking choice in our community.

Most of all I would like to thank our shareholders, our individual customers and the local businesses and groups that choose to bank with the Mansfield & District **Community Bank**[®] Branch. It is because of you that we are able to provide the support that we do to the local community. With every new customer and account opening, that means more available to be paid in community contributions and in dividends.

On behalf of the branch staff, thank you for your continued support. We look forward to seeing you in the branch sometime throughout the year.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Matthew Currie', with a long, sweeping flourish extending upwards and to the left.

Matthew Currie
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:

Timothy John Ross

Chairman

Occupation: Accountant

Qualifications, experience and expertise: Director & Hon Treasurer. Beolite Village Ltd. Former Independent Member, Mansfield Shire Audit Committee, Accountant (Public Practice).

Special responsibilities: Finance Committee Convenor.

Interest in shares: 11,500

Marian Louise Dowling

Vice Chairman

Occupation: Horticultural Consultant/small farmer

Associate Degree in Urban Horticulture, UOM. Previous Occupations Electoral Officer, Vic State Member of Parliament, Property Officer Delatite Shire Council, Assistant Company Secretary Potter Warburg (previously Potter Partners). Graduate of Alpine Valleys Community Leadership Program, Rural Women's Governance Program and the Community Landcare & Agriculture Leadership Program. Founding Chair Mansfield District Ambulance Auxiliary, Mansfield Relay for Life; Volunteer Cancer Council Daffodil Day, Friends of Burnley Gardens; Past Committee Member: Merrijig Community Hall, Merrijig Rodeo Association, Mansfield District Racing Club, Hume Regional Strategy Working Group, Capable & Cohesive Communities Working Group. Steering Committee Mansfield & District **Community Bank**[®] Branch.

Special responsibilities: Past Chairman, Development Committee Convenor.

Interest in shares: 2,501

Haley Kate Tudor-Harrop

Secretary

Occupation: Accountant

Qualifications, experience and expertise: B.Bus(Acc), Chartered Accountant, GAIGD. Ex-Director at Lake Mountain Resort Management Board. Ex-Director at MACE Inc.

Special responsibilities: Governance & Risk Committee.

Interest in shares: 5,003

Directors' report (continued)

Directors (continued)

Noel Francis Willaton

Director

Occupation: Primary Producer

Qualifications, experience and expertise: Noel has had a varied career including 10 years as a Broadband Radio Technician followed by 10 years as director of the family business in Transport and Concrete production in the Latrobe Valley, subsequently spending 30 years in that industry through various demergers and acquisitions. He performed numerous roles including Manager Concrete Production & Sales Latrobe Valley, Transport & Systems Manager Melbourne Metro Concrete, Project team Member on Software Systems Re-engineering in USA & Australia and IT Business Systems Analyst supporting Australia wide users of software developed for Concrete Technical Design, Concrete & Aggregate Dispatch and GPS Truck Tracking. Noel retired from Holcim Australia Ltd in June 2010 and now concentrates on cattle grazing and is an active partner in a local garden design business.

Special responsibilities: Development Committee.

Interest in shares: 2,501

Geoffrey Doyle

Director

Occupation: Retired

Qualifications, experience and expertise: Private business owner/manager- promotional industry. General Manager Spotless services – Food Division. National sales & marketing manager, Spotless services Food/Textile Division. National training Manager. Secretary/Treasurer & Chair of various organisations including Kindergarten and volunteer groups. Post graduate Diploma Business, Diploma Marketing.

Special responsibilities: Development Committee.

Interest in shares: Nil

Janene Alice Ridley

Director

Occupation: Manager - Small Business

Qualifications, experience and expertise: Janene is currently the General Manager of Mount Terrible Wines Pty Ltd, a small business operating from Jamieson in north-east Victoria. Prior to the March 2015, Janene was the CEO of Mansfield District Hospital. Her extensive experience in the health sector spans over 30 years with 19 years at Executive level. Janene has developed strong leadership and communication skills, high level strategic, conceptual and analytical skills, a knowledge and understanding of a regulated business environment, and the ability to establish and maintain productive relationships with a range of internal and external clients and stakeholders.

GAICD - Graduate Australian Institute of Company Directors, MHSM - Masters of Health Services Management, BA - Bachelor of Arts, RN - Registered Nurse Division I. Current member - Jamieson CFA - 41h Lieutenant & OHS Officer. Current member - Jamieson Floodwatch Program. Current member - Mansfield Musical & Dramatic Society (MMUDS).

Special responsibilities: Governance & Risk Committee Convenor.

Interest in shares: Nil

Amy Lee Chandler

Treasurer

Occupation: Accountant

Qualifications, experience and expertise: Bachelor of Business (Accounting) CPA. Accountant at Proactive Tax & Business Services. Previously employed at Langley McKimmie Chartered Accountants & Stephen Bates CPA. Previous Treasurer – Mansfield Football Netball Club and Woodend Heskett Football Netball Club.

Special responsibilities: Finance Committee.

Interest in shares: 1,000

Directors' report (continued)

Directors (continued)

Nicole Su-Yin Nally

Director (Appointed 2 November 2015)

Occupation: Business Development and Regional Representative, Aquatic informatics

Qualifications, experience and expertise: Nicole is a registered professional Engineer with over 13 years of experience in the Water Industry. Nicole's broad experience covers business development, sales, project management, bid management and engineering design. Currently Nicole is the Business Development and Regional Representative for a Canadian Environmental Data company, Aquatic informatics where she manages work across Australia, New Zealand and the Pacific, Nicole has successfully built a large client base and has consulted with a diverse range of organisations. To complement her work in the private business sector, Nicole has also worked in the NGO sector. Prior to her current employment Nicole worked overseas for the Australian Red Cross in the area of Water, Sanitation and Hygiene (WASH). Nicole also worked extensively with aboriginal communities in Queensland through Engineers Without borders, facilitating stakeholder engagement and sharing water design principals to achieve shared goals and implement lasting change. Nicole is well networked in the Water Industry and has been on the committee of several professional organisations such as the Australian Water Association, Engineers without Borders and Institute of Engineers Australia. In 2016 Nicole completed her MBA through La Trobe University which has strengthened her knowledge of corporate governance and given her greater business acumen.

Special responsibilities: Finance Committee, Governance & Risk Committee.

Interest in shares: 3,000

Toby Permezel

Director (Appointed 5 February 2016)

Occupation: Solicitor

Qualifications, experience and expertise: Bachelor of Science, Juris Doctor, Graduate Diploma of Legal Practice.

Solicitor practicing in the following areas: wills and estates, commercial litigation, business/land transactions and leasing.

Special responsibilities: Governance & Risk Committee.

Interest in shares: Nil

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 Haley Tudor-Harrop. Haley was appointed to the position of secretary on 10 December 2010.

Qualifications, experience and expertise: B.Bus(Acc), Chartered Accountant, GAIGD. Ex-Director at Lake Mountain Resort Management Board. Ex-Director at MACE Inc.

Principal Activities

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

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

Directors' report (continued)

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 \$
46,814	98,578

Dividends

	Year ended 30 June 2016	
	Cents	\$
Dividends paid in the year:	4	30,226

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.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

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' report (continued)

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					
			Development		Finance		Governance	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Timothy Ross	11	11	1	1	11	11	-	-
Marian Dowling	11	9	7	7	-	-	3	3
Haley Tudor-Harrop	11	7	-	-	-	-	4	3
Noel Willaton	11	9	12	11	-	-	-	-
Geoffrey Doyle	11	9	12	9	-	-	-	-
Janene Ridley	11	11	-	-	-	-	4	4
Amy Chandler	11	10	-	-	11	11	-	-
Nicole Nally (Appointed 5 November 2015)	8	7	-	-	5	3	2	2
Toby Permezel (Appointed 5 February 2016)	5	5	-	-	-	-	1	-

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

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

Directors' report (continued)

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 12.

Signed in accordance with a resolution of the board of directors at Mansfield, Victoria on 19 September 2016.

A handwritten signature in black ink, appearing to read 'Tim Ross', with a horizontal line above the first part of the name.

**Timothy John Ross,
Chairman**

Auditor's independence declaration



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

As lead auditor for the audit of Mansfield & District 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.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 19 September 2016

A handwritten signature in black ink, appearing to read 'David Hutchings'.

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	747,627	709,210
Employee benefits expense		(346,067)	(288,501)
Charitable donations, sponsorship, advertising and promotion	5	(97,065)	(80,090)
Occupancy and associated costs		(68,343)	(72,639)
Systems costs		(21,439)	(20,498)
Depreciation and amortisation expense	5	(22,666)	(23,309)
Finance costs	5	(554)	(924)
General administration expenses		(127,177)	(81,312)
Profit before income tax expense		64,316	141,937
Income tax expense	6	(17,502)	(43,359)
Profit after income tax expense		46,814	98,578
Total comprehensive income for the year		46,814	98,578
Earnings per share for profit attributable to the ordinary shareholders of the company:			
		¢	¢
Basic earnings per share	23	6.20	13.05

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2016

	Notes	2016 \$	2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	447,721	401,737
Trade and other receivables	8	75,135	63,453
Total Current Assets		522,856	465,190
Non-Current Assets			
Property, plant and equipment	9	78,279	83,399
Intangible assets	10	16,234	30,078
Deferred tax asset	11	4,424	21,926
Total Non-Current Assets		98,937	135,403
Total Assets		621,793	600,593
LIABILITIES			
Current Liabilities			
Trade and other payables	12	35,063	28,018
Borrowings	13	2,000	7,670
Provisions	14	15,750	15,009
Total Current Liabilities		52,813	50,697
Non-Current Liabilities			
Borrowings	13	-	2,000
Provisions	14	5,899	1,403
Total Non-Current Liabilities		5,899	3,403
Total Liabilities		58,712	54,100
Net Assets		563,081	546,493
Equity			
Issued capital	15	729,800	729,800
Accumulated losses	16	(166,719)	(183,307)
Total Equity		563,081	546,493

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2014	729,800	(251,659)	478,141
Total comprehensive income for the year	-	98,578	98,578
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(30,226)	(30,226)
Balance at 30 June 2015	729,800	(183,307)	546,493
Balance at 1 July 2015	729,800	(183,307)	546,493
Total comprehensive income for the year	-	46,814	46,814
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(30,226)	(30,226)
Balance at 30 June 2016	729,800	(166,719)	563,081

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		796,736	764,900
Payments to suppliers and employees		(718,612)	(616,709)
Interest received		10,012	7,488
Interest paid		(554)	(924)
Net cash provided by operating activities	17	87,582	154,755
Cash flows from investing activities			
Payments for property, plant and equipment		(3,702)	(2,626)
Net cash used in investing activities		(3,702)	(2,626)
Cash flows from financing activities			
Repayment of borrowings		(7,670)	(7,167)
Dividends paid		(30,226)	(30,226)
Net cash used in financing activities		(37,896)	(37,393)
Net increase in cash held		45,984	114,736
Cash and cash equivalents at the beginning of the financial year		401,737	287,001
Cash and cash equivalents at the end of the financial year	7(a)	447,721	401,737

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.

Notes to the financial statements (continued)

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**[®] branch at Mansfield, Victoria.

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (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 Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

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

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

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

b) Revenue

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

Revenue calculation

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

However, Mansfield & District Community Enterprises Limited have elected not to move to the new revenue model and their calculations are unchanged.

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.

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.

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.

Notes to the financial statements (continued)

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.

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.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

g) Property, plant and equipment (continued)

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

• leasehold improvements	40 years
• plant and equipment	2.5 - 40 years
• 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.

(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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Classification and subsequent measurement (continued)

(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.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

(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.

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.

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Taxation (continued)

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.

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- services commissions	737,681	699,676
- other revenue	-	342
Total revenue from operating activities	737,681	700,018
Non-operating activities:		
- interest received	9,946	9,192
Total revenue from non-operating activities	9,946	9,192
Total revenues from ordinary activities	747,627	709,210

Note 5. Expenses

Community contributions

- sponsorship	51,560	46,204
- donations	2,357	-

Other advertising and promotions

- advertising	5,169	6,495
- marketing	12,864	27,391
- marketing contractor	25,115	-
	97,065	80,090

Depreciation of non-current assets:

- furniture and fittings	4,590	4,278
- leasehold improvements	1,545	1,542
- motor vehicle	2,687	3,645

Amortisation of non-current assets:

- franchise agreement	2,307	2,307
- franchise renewal fee	11,537	11,537
	22,666	23,309

Finance costs:

- interest paid	554	924
-----------------	-----	-----

Bad debts	17,772	-
------------------	---------------	----------

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 6. Income tax expense		
The components of tax expense comprise:		
- Movement in deferred tax	1,894	3,090
- Adjustment to deferred tax to reflect change to tax rate in future periods	(113)	1,154
- Recoupment of prior year tax losses	15,721	38,875
- Under provision of tax in the prior period	-	240
	17,502	43,359

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows

Operating profit	64,316	141,937
Prima facie tax on profit from ordinary activities at 28.5 (2015: 30%)	18,330	42,581
Add tax effect of:		
- non-deductible expenses	-	1,028
- timing difference expenses	189	(4,734)
	18,519	38,875
Movement in deferred tax	1,894	3,090
Adjustment to deferred tax to reflect change of tax rate in future periods	(113)	1,154
Movement in deferred tax asset (debtors and creditors)	(2,798)	-
Under provision of income tax in the prior year	-	240
	17,502	43,359

Note 7. Cash and cash equivalents

Cash at bank and on hand	67,721	53,816
Term deposits	380,000	347,921
	447,721	401,737

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	67,721	53,816
Term deposits	380,000	347,921
	447,721	401,737

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 8. Trade and other receivables		
Trade receivables	64,339	51,915
Prepayments	9,157	9,833
Other receivables and accruals	1,639	1,705
	75,135	63,453

Note 9. Property, plant and equipment

Leasehold improvements

At cost	61,803	61,803
Less accumulated depreciation	(13,608)	(12,063)
	48,195	49,740

Computer software

At cost	11,007	11,007
Less accumulated depreciation	(11,007)	(11,007)
	-	-

Motor vehicles

At cost	31,393	31,393
Less accumulated depreciation	(23,426)	(20,739)
	7,967	10,654

Furniture and fittings

At cost	134,624	130,922
Less accumulated depreciation	(112,507)	(107,917)
	22,117	23,005

Total written down amount

78,279 **83,399**

Movements in carrying amounts:

Leasehold improvements

Carrying amount at beginning	49,740	51,126
Additions	-	156
Disposals	-	-
Less: depreciation expense	(1,545)	(1,542)
Carrying amount at end	48,195	49,740

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 9. Property, plant and equipment (continued)		
Motor vehicles		
Carrying amount at beginning	10,654	14,309
Additions	-	-
Disposals	-	-
Less: depreciation expense	(2,687)	(3,655)
Carrying amount at end	7,967	10,654
Furniture and fittings		
Carrying amount at beginning	23,005	24,804
Additions	3,702	2,469
Disposals	-	-
Less: depreciation expense	(4,590)	(4,268)
Carrying amount at end	22,117	23,005
Total written down amount	78,279	83,399

Note 10. Intangible assets

Franchise fee		
At cost	11,537	11,537
Less: accumulated amortisation	(8,831)	(6,524)
	2,706	5,013
Renewal processing fee		
At cost	57,684	57,684
Less: accumulated amortisation	(44,156)	(32,619)
	13,528	25,065
Total written down amount	16,234	30,078

Note 11. Tax

Non-Current:

Deferred tax assets		
- accruals	715	1,514
- employee provisions	5,953	4,677
- tax losses carried forward	3,302	19,023
	9,970	25,214

Notes to the financial statements (continued)

	Note	2016 \$	2015 \$
Note 11. Tax (continued)			
Deferred tax liability			
- accruals		451	486
- other		5,095	2,802
		5,546	3,288
Net deferred tax asset		4,424	21,926
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income		17,502	43,359

Note 12. Trade and other payables

Current:

Trade creditors		5,981	4,535
Other creditors and accruals		29,082	23,483
		35,063	28,018

Note 13. Borrowings

Current:

Chattel mortgage	18	2,000	7,670
Non-Current:			
Chattel mortgage	18	-	2,000

The Chattel mortgage is repayable monthly with the final instalment due on September 2016. Interest is recognised at an annual rate of 6.8%. The mortgage is secured by a fixed and floating charge over the company's assets.

Note 14. Provisions

Current:

Provision for annual leave		15,750	10,314
Provision for long service leave		-	4,695
		15,750	15,009

Non-Current:

Provision for long service leave		5,899	1,403
---	--	--------------	--------------

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 15. Contributed equity		
755,660 ordinary shares fully paid (2015: 755,660)	755,660	755,660
Less: equity raising expenses	(25,860)	(25,860)
	729,800	729,800

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 251. As at the date of this report, the company had 261 shareholders.

Notes to the financial statements (continued)

Note 15. Contributed equity (continued)

Prohibited shareholding interest (continued)

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.

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		
Balance at the beginning of the financial year	(183,307)	(251,659)
Net profit from ordinary activities after income tax	46,814	98,578
Dividends paid or provided for	(30,226)	(30,226)
Balance at the end of the financial year	(166,719)	(183,307)

Note 17. Statement of cash flows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	46,814	98,578
Non cash items:		
- depreciation	8,822	9,465
- amortisation	13,844	13,844
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(11,682)	(6,702)
- (increase)/decrease in other assets	17,502	43,358
- increase/(decrease) in payables	7,045	1,082
- increase/(decrease) in provisions	5,237	(4,870)
Net cash flows provided by operating activities	87,582	154,755

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 18. Leases		
Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	2,023	8,091
- between 12 months and 5 years	-	2,023
- greater than 5 years	-	-
Minimum lease payments	2,023	10,114
Less future finance charges	(23)	(444)
Present value of minimum lease payments	2,000	9,670

The finance lease of motor vehicle, which commenced in 2011, is a 5 year lease.

Interest is recognised at an average rate of 6.8% (2015: 6.8%).

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	40,626	40,626
- between 12 months and 5 years	6,771	47,397
- greater than 5 years	-	-
	47,397	88,023

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease commenced in August 2012 with two five-year options to extend.

Note 19. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:

- audit and review services	4,100	1,500
- share registry services	4,525	2,979
- other non audit services	2,330	2,250
	10,955	6,729

Notes to the financial statements (continued)

	2016 \$	2015 \$
--	------------	------------

Note 20. Director and related party disclosures

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

Timothy Ross
 Marian Dowling
 Haley Tudor-Harrop
 Noel Willaton
 Geoffrey Doyle
 Janene Ridley
 Amy Chandler
 Nicole Nally (Appointed 5 November 2015)
 Toby Permezel (Appointed 5 February 2016)

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

	2016	2015
Directors' shareholdings		
Timothy Ross	11,500	11,500
Marian Dowling	2,501	2,501
Haley Tudor-Harrop	5,003	5,003
Noel Willaton	2,501	2,501
Geoffrey Doyle	-	-
Janene Ridley	-	-
Amy Chandler	1,000	-
Nicole Nally (Appointed 5 November 2015)	3,000	-
Toby Permezel (Appointed 5 February 2016)	-	-

Note 21. Dividends paid or provided

	2016 \$	2015 \$
a. Dividends paid during the year		
Current year dividend		
Unfranked dividend - 4 cents (2015: 4 cents) per share	30,226	30,226

Notes to the financial statements (continued)

Note 22. Key Management Personnel Disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

	2016	2015
	\$	\$

Note 23. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	46,814	98,578
--	--------	--------

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	755,660	755,660

Note 24. Events occurring after the reporting date

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

Note 25. Contingent liabilities and contingent assets

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

Note 26. Segment reporting

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

Note 27. Registered office/Principal place of business

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

Registered Office

96-98 High Street
Mansfield, Victoria 3722

Principal Place of Business

96-98 High Street
Mansfield, Victoria 3722

Notes to the financial statements (continued)

Note 28. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
	2016 \$	2015 \$	1 year or less		Over 1 to 5 years		Over 5 years		2016 \$	2015 \$	2016 %	2015 %
			2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$				
Financial assets												
Cash and cash equivalents	67,721	53,816	380,000	347,921	-	-	-	-	-	-	2.45	2.70
Receivables	-	-	-	-	-	-	-	-	64,339	51,915	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	2,000	7,670	-	2,000	-	-	-	-	2.45	6.80
Payables	-	-	-	-	-	-	-	-	5,981	4,535	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.

Notes to the financial statements (continued)

Note 28. 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	2015
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	4,457	3,921
Decrease in interest rate by 1%	4,457	3,921
Change in equity		
Increase in interest rate by 1%	4,457	3,921
Decrease in interest rate by 1%	4,457	3,921

Directors' declaration

In accordance with a resolution of the directors of Mansfield & District 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.

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



Timothy John Ross,
Chairman

Signed on the 19th of September 2016.

Independent audit report



Independent auditor's report to the members of Mansfield & District Community Enterprises Limited

Report on the financial report

We have audited the accompanying financial report of Mansfield & District 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

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

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 Mansfield & District 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.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 19 September 2016



David Hutchings
Lead Auditor

Mansfield & District **Community Bank**[®] Branch
96-98 High Street, Mansfield VIC 3722
Phone: (03) 5775 3273 Fax: (03) 5779 1973

Franchisee: Mansfield & District Community Enterprises Ltd
96-98 High Street, Mansfield VIC 3722
ABN: 92 124 069 914

www.bendigobank.com.au/mansfield
(BNPAR16033) (07/16)



bendigobank.com.au

