Mansfield & District
Community Enterprises Ltd
ABN 92 124 069 914

2018 **Annual Report**

Mansfield & District **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2018

The year has seen continued success for Mansfield & District **Community Bank**® Branch. At the end of the financial year our footings (total business) stood at approx. $125 million, a strong increase on the previous year ($110 million).

The results of Mansfield & District Community Enterprises Ltd as a company continued in the strongly positive vein enjoyed over several years now. Profit before income tax expense was $62,616. Our net assets have continued to grow, and at 30 June 2018 totalled $618,979, with significant cash balances on hand. This is after significant community contributions during the year, as detailed below.

I noted in last year's report that MDCE is now in a position of having positive accumulated profits (after adjustment for dividends paid), having recovered the losses suffered during our establishment phase. I also noted that with the achievement of this key milestone came an opportunity to reset our key strategic objectives, in the areas of capital management, budgeting, dividend policy and community contributions. The Board seeks to find a balance between rewarding our shareholders, contributing funds to our community, and growing the 'business' of banking. With that in mind, I note the following highlights of the year.

The Board has determined that a mature and successful business does not require the same level of capital as that needed in the establishment phase of our company. As a result, the Board has undertaken to embark on a share buyback. Subject to approval from shareholders, this will provide the opportunity for shareholders to have some or all of their shares bought back, capped at a maximum of 25% of our capital. A share buyback has a number of benefits, including returning unneeded capital to shareholders, improving return on equity, and providing an opportunity for those shareholders who wish to sell their shares to do so.

The Board is pleased that it has once again been able to provide a modest return to shareholders for the seventh year in a row. Directors have declared a 4 cents per share dividend, and for the first time this will be fully-franked, which significantly increases the value of the dividend to shareholders. This means that to date we have been able to declare some $225,000 in dividends, including $30,000 to be paid in October 2018.

Our company is now in a position to start contributing higher amounts back to the community, building on a total of over $470,000 in community contributions (to 30 June 2018) to Mansfield and district since our inception. In the past year we contributed over $62,000 to the community, and for the first time a further amount of $90,000 was put aside with a view to building a capital kitty available to support investment in larger, strategic projects. This is a significant change in our approach to community investment.

As noted last year, during the year we invested a significant amount in the renovation of our branch, allowing us to provide better service to our customers. More recently, we have been investing in our staff, adjusting our staffing model to adapt to the changing face of banking, and to better meet the needs of our customers.

As usual, I acknowledge that continued success is due to the contributions of our key stakeholders – our shareholders, our customers, our branch staff, our franchise partner the Bendigo and Adelaide Bank Limited, and our community.

You will no doubt be aware that banks have been in the news during the year for all the wrong reasons. The Royal Commission process will have worthwhile lessons for all banks, and its outcomes will likely impact banking operations generally. Our company can be proud of our franchise partner the Bendigo and Adelaide Bank Limited, a bank with a strong ethical core, and one that puts customers before profit. The **Community Bank**® model provides a wonderful opportunity for local communities to profit from the business of banking (instead of having those profits taken 'out of town'). It is a tried and tested model, and members of the Board were pleased to be part of the 20th anniversary celebrations in Bendigo recently.

A special mention goes to our dedicated branch team, capably led by Matthew Currie, who contribute their time and talents to both the branch and the local community. Our thanks go to staff members Julia and Leanne, who have both moved on recently, and to Stevie who has been promoted internally. By the time you read this report, we will have welcomed two new staff members; I hope you get the chance to drop into the branch and say hello. On behalf of the Board, I thank them all for their contribution to the company and their continued service to our customers and community.

Once again, I'd like to particularly thank Board members who in a voluntary capacity contribute significant time, energy and expertise to the task of managing the company.

Once again, I express the hope that our shareholders are able to take some pride in the achievements of the bank 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 bank, pride that their bank is able to provide tangible assistance in helping to build and strengthen our community.

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

Yours sincerely,

Tim Ross
Chairman

Manager's report

For year ending 30 June 2018

It is with pleasure that I submit the Branch Manager's report for the Mansfield & District **Community Bank**® Branch.

The Mansfield & District **Community Bank**® Branch had some strong results for the 2017/18 financial year. We ended the financial year with total business of $124.6 million which reflects growth of $14.8 million on last year's results. In the current competitive market, these results are strong. The really pleasing aspect of this result, is that it came from a combination of deposit and lending business. The branch also grew its customer numbers to 2,415 which is an increase of 4.68% for the financial year. The branch continued to focus on providing Superannuation and Insurance solutions for our customers and saw good results in these measures as well.

The strength of the **Community Bank**® model, and the point of difference that this provides, is one of the reasons that we have been able to achieve strong results. 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 to support the Bonnie Doon Football Netball Club, Mansfield Arts Council and the Jamieson Autumn Festival. We have also provided funding to the Mansfield Kinder for their front entrance revitalisation, a major community project. Up2Us Landcare, Mansfield Cubby, Mansfield Soccer Club, Mansfield Little Athletics and Mansfield CWA also received funds throughout the year. These are all very worthwhile causes.

The strong results would not have been possible without the continued hard work from our dedicated branch team. Jess, Julia, Stevie and Leanne should be proud of their contribution throughout the year. Our customers continually tell us that they love the service that our staff provide. I'd like to take this opportunity to personally thank each one of them for their continued efforts. They really do go above and beyond for our customers.

The branch staff couldn't have achieved all this alone. We had wonderful support from our Regional Bendigo and Adelaide Bank Limited support team of Mark Brown (Regional Manager), Kendall Beattie (Regional Community Manager), Brian O'Keefe (Risk & Compliance Manager), and Dylan Villani (People Operations Manager). Thank you for your ongoing help and support.

Thank you to our Board of Directors who continue to provide excellent guidance for the branch team. The direction they have set 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.

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.

Thank you

Matthew Currie
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2018

It's been 20 years since the doors to the first **Community Bank**® branch opened. And it has only been a few months since the latest, the 321st, **Community Bank**® branch opened its doors.

In the last 20 years, much has changed. A staggering 92 per cent of our customers do their banking online and we pay for goods and services on a range of mobile phones, our watches and even our fitness devices. Many are embracing this online world with a sense of excitement and confidence. Our model will be even more accessible to people right across Australia.

Despite the change many things have also remained constant through the last two decades. Commitment within communities remains as strong today as it has ever been; from our first **Community Bank**® branch to the most recent one, and the 319 in between.

This year, five of our **Community Bank**® branches are celebrating 20 years in business. Bendigo Bank has celebrated 160 years in business. We farewelled Managing Director Mike Hirst and welcomed into the MD role long-time Bendigo employee Marnie Baker.

Our **Be the change** online marketing campaign has been the most successful online marketing campaign ever run by our organisation. The premise behind **Be the change** is simple – it thanks individual customers for banking with their **Community Bank**® branch.

But it's not the Bank thanking the customers. It's not the staff, volunteer directors or shareholders thanking the customers. It's the kids from the local little athletics and netball clubs, it's the man whose life was saved by a **Community Bank**® funded defib unit, it's members of the local community choir and the animal rescue shelter. These people whose clubs and organisations have received a share of over $200 million in **Community Bank**® contributions, all because of people banking with their local **Community Bank**® branch.

Be the change has further highlighted the power of the model. For others, customers are important. For our **Community Bank**® network, customer support ensures our point of difference. It's the reason we can share in the revenue generated by their banking business. Without this point of difference, we would be just another bank.

But we're not, we're Bendigo Bank and we're Australia's only 'community bank', recently named by Roy Morgan Research as Australia's third most trusted brand and most trusted bank. As one of 70,000-plus **Community Bank**® company shareholders across Australia, these are outcomes we hope you too are proud of.

I'd like to thank you for your decision to support your local **Community Bank**® company as a shareholder. Your support has been vitally important to enhancing the prospects and outcomes within your community.

Without you, there would be no **Community Bank**® branch network in Australia.

We value your initial contribution and your ongoing support of your **Community Bank**® branch and your community. Thank you for continuing to play a role in helping your community **Be the change**.

Robert Musgrove
Bendigo and Adelaide Bank

Directors' report

For the financial year ended 30 June 2018

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

Directors

The following persons were Directors of Mansfield & District Community Enterprises Limited during or since the end of the financial year up to the date of this report:

Timothy John Ross

Position	Chairperson
Professional qualifications	Accountant
Experience and expertise	Former Director & Hon Treasurer, Beolite Village Ltd, Former Independent Member, Mansfield Shire Audit Committee, Accountant (Public Practice), Governance Committee member and Treasurer, Mansfield Rudolph Steiner School & Kindergarden.

Haley Kate Tudor-Harrop

Position	Secretary
Professional qualifications	Accountant
Experience and expertise	B.Bus(Acc), Chartered Accountant, GAICD. Elected member of the **Community Bank**® National Council, Ex-Director at Lake Mountain Resort Management Board, Former Director at MACE Inc. Treasurer – Mansfield Kindergarten Inc.

Janene Alice Ridley

Position	Director
Professional qualifications	Manager - Small Business
Experience and expertise	General Manger of Mount Terrible Wines Pty Ltd. Former CEO of Mansfield District Hospital. GAICD - Graduate Australian Institute of Company Director, MHSM - Masters of Health Services Management, BA - Bachelor or Arts, RN - Registered Nurse Division 1. Current member - Jamieson CFA - 41h Lieutenant & OHS Officer. Current member-Jamieson Floodwatch Program. Current member - Mansfield Musical & Dramatic Society (MMUDS).

Amy Lee Chandler

Position	Treasurer
Professional qualifications	Accountant
Experience and expertise	B.Bus (Acc) 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 Hesket Football Netball Club.

Nicole Su-Yin Nally

Position	Director
Professional qualifications	Business Development and Regional Representative, Acquatic Informatics
Experience and expertise	A registered professional Engineer. Business Development and Regional Representative for Aquatic informatics. Past committee member Australian Water Association, Engineers Without Borders and Institute of Engineers Australia. MBA.

Directors (continued)

Toby Permezel	
Position	Secretary (Resigned 14 November 2017)
Professional qualifications	Solicitor
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.
Sarah Brennan	
Position	Director (Resigned 4 August 2017)
Professional qualifications	Director
Experience and expertise	Sarah is Chair of MDBA, Chair Linden New Art, Secretary Tolmie Recreation Reserve Committee, Director Gravity Design and Committee member of Mansfield AgriTourism Alliance.
Peter Valerio	
Position	Director (Appointed 4 August 2017)
Professional qualifications	Director
Experience and expertise	Marketing Strategy, Research & Strategic planning. Undertaken global marketing strategy work for a wide range of government and semi government bodies. Board Member – Mt Buller Mt Stirling Alpine Resort Management Board, Falls Creek Alpine Resort Management Board, Mount Hotham Alpine Resort Management Board.
John Bowen	
Position	Director (Appointed 1 December 2017)
Professional qualifications	Lawyer
Experience and expertise	John has worked in legal practice for 35 years.
Caroline Hodges	
Position	Director (Appointed 2 February 2018)
Professional qualifications	Secondary School Teacher
Experience and expertise	Caroline has been a school teacher for 19 years. Community Engagement experience.

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings		Committee meetings attended					
			Development		Finance		Governance	
	A	B	A	B	A	B	A	B
Timothy John Ross	12	11	N/A	N/A	11	11	N/A	N/A
Haley Kate Tudor-Harrop	12	11	N/A	1	N/A	N/A	4	4
Janene Alice Ridley	12	12	N/A	N/A	N/A	N/A	4	4
Amy Lee Chandler	12	10	N/A	N/A	11	10	N/A	N/A
Nicole Sun Nally	12	7	9	6	11	8	N/A	N/A
Toby Permezel	5	0	N/A	N/A	N/A	N/A	N/A	N/A
Sarah Brennan	2	2	1	1	N/A	N/A	N/A	N/A
Peter Valerio	10	7	8	8	N/A	N/A	N/A	N/A
John Bowen	6	4	N/A	N/A	N/A	N/A	N/A	N/A
Caroline Hodges	4	2	3	2	N/A	N/A	N/A	N/A

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

Company Secretary

Haley Tudor-Harrop has been the Company Secretary of Mansfield & District Community Enterprises Limited since November 2017.

Haley's qualifications and experience include B.Bus(Acc), Chartered Accountant, GAICD.

Principal activities

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

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

Review of operations

The profit/loss of the company for the financial year after provision for income tax was $47,668 (2017 profit/loss: $83,796).

Dividends

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

An unfranked final dividend of 4 cents per share with an unfranked special dividend of 2 cents per share was declared and paid during the year for the year ended 30 June 2018.

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

The company has indemnified all Directors and the manager in respect of liablities 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 lack of good faith. The company also has Directors and Officers insurance for the benefit of Officers of the company against any liability occurred by the officer, which includes officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the officer's duties.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set at page 11 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Remuneration report

Remuneration policy

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

Remuneration benefits and payments

Other than detailed below, no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Remuneration report (continued)

Equity holdings of key management personnel

The number of ordinary shares in the company held during the financial year and prior year by each Director and other key management personnel, including their related parties, are set out below:

Name	Balance at 30 June 2017	Net change in holdings	Balance at 30 June 2018
Directors			
Timothy John Ross	11,500	-	11,500
Haley Kate Tudor-Harrop	5,503	-	5,503
Janene Alice Ridley	-	-	-
Amy Lee Chandler	1,000	-	1,000
Nicole Su-Yin Nally	3,000	-	3,000
Toby Permezel	-	-	-
Sarah Brennan	-	-	-
Peter Valerio	-	-	-
John Bowen	-	-	-
Caroline Hodges	-	-	-

Signed in accordance with a resolution of the Board of Directors at Mansfield, Victoria on 27 September 2018.

Timothy John Ross
Chairman

Auditor's independence declaration

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Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001* to the Directors of Mansfield and District Community Enterprises Limited.

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 there have been no contraventions of:

i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii) any applicable code of professional conduct in relation to the audit.

Evolve Accounting Solutions

EVOLVE ACCOUNTING SOLUTIONS

Paul Best – Partner
Registered Company Auditor

211 Anstruther Street
Echuca VIC 3564

Date this 27th day of September 2018

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Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

	Notes	2018 $	2017 $
Revenue	2	851,363	792,528
Expenses			
Employee benefits expense	3	(350,085)	(340,586)
Charitable donations, sponsorships, advertising and promotion	3	(210,542)	(114,424)
Occupancy expenses		(75,218)	(67,123)
Systems costs		(21,348)	(20,340)
Depreciation and amortisation	3	(29,033)	(26,554)
Finance costs	3	(1,037)	(895)
Administration and general costs		(101,484)	(105,493)
		(788,747)	**(675,415)**
Profit before income tax expense		**62,616**	**117,113**
Income tax expense	4	(14,948)	(33,317)
Profit after income tax expense		**47,668**	**83,796**
Total comprehensive income for the year		47,668	83,796
Profit attributable to members of the company		**47,668**	**83,796**
Total comprehensive income attributable to members of the company		**47,668**	**83,796**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	17	6.31	11.09

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

Statement of Financial Position
as at 30 June 2018

	Notes	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	5	434,997	547,794
Trade and other receivables	6	83,048	74,790
Other assets	7	4,391	4,575
Total current assets		**522,436**	**627,159**
Non-current assets			
Property, plant and equipment	8	172,744	97,893
Intangible assets	9	2,592	2,390
Deferred tax assets	4	-	89
Total non-current assets		**175,336**	**100,372**
Total assets		**697,772**	**727,531**
Liabilities			
Current liabilities			
Trade and other payables	10	22,649	39,093
Current tax liability	4	6,403	24,051
Deferred Tax Liability	4	1,774	-
Borrowings	12	7,919	7,919
Provisions	13	19,407	16,021
Total current liabilities		**58,152**	**87,084**
Non-current liabilities			
Borrowings	12	9,511	16,395
Provisions	13	11,130	7,401
Total non-current liabilities		**20,641**	**23,796**
Total liabilities		**78,793**	**110,880**
Net assets		**618,979**	**616,651**
Equity			
Issued capital	14	729,800	729,800
Retained earnings / Accumulated losses	15	(110,821)	(113,149)
Total equity		**618,979**	**616,651**

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

Statement of Changes in Equity
for the year ended 30 June 2018

	Note	Issued capital $	Accumulated losses $	Reserves $	Total equity $
Balance at 1 July 2016		729,800	(166,719)	-	563,081
Profit / Loss for the year		-	83,796	-	83,796
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		**-**	**83,796**	**-**	**83,796**
Transactions with owners, in their capacity as owners					
Shares issued during the year		-	-	-	-
Dividends paid or provided	16	-	(30,226)	-	(30,226)
Balance at 30 June 2017		**729,800**	**(113,149)**	**-**	**616,651**
Balance at 1 July 2017		729,800	(113,149)	-	616,651
Profit / Loss for the year		-	47,668	-	47,668
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		**-**	**47,668**	**-**	**47,668**
Transactions with owners, in their capacity as owners					
Shares issued during the year		-	-	-	-
Dividends paid or provided	16	-	(45,340)	-	(45,340)
Balance at 30 June 2018		**729,800**	**(110,821)**	**-**	**618,979**

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

Statement of Cash Flows
for the year ended 30 June 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		918,247	848,207
Payments to suppliers and employees		(852,567)	(715,578)
Interest paid		(1,037)	(896)
Interest received		9,603	10,896
Income tax paid		(30,733)	(4,931)
Net cash provided by / (used in) operating activities	**18b**	**43,513**	**137,698**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	10,000
Purchase of property, plant and equipment		(88,533)	(39,713)
Payments for intangible assets		(15,553)	-
Net cash flows from / (used in) investing activities		**(104,086)**	**(29,713)**
Cash flows from financing activities			
Proceeds from borrowings		-	28,720
Repayment of borrowings		(6,884)	(6,406)
Dividends paid		(45,340)	(30,226)
Net cash provided by / (used in) financing activities		**(52,224)**	**(7,912)**
Net increase / (decrease) in cash held		**(112,797)**	**100,073**
Cash and cash equivalents at beginning of financial year		547,794	447,721
Cash and cash equivalents at end of financial year	**18a**	**434,997**	**547,794**

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

Notes to the financial statements

For year ended 30 June 2018

These financial statements and notes represent those of Mansfield & District Community Enterprises Limited.

Mansfield & District Community Enterprises Limited (‘the company’) is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 27 September 2018.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

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

<u>Economic dependency</u>

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

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

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

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank**® branch;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

Note 1. Summary of significant accounting policies (continued)

(b) Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(c) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(d) New and amended accounting policies adopted by the company

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2017, and are therefore relevent for the current financial year.

AASB 9 Financial instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This accounting standard is not expected to have a material impact on the financial statements.

AASB 15 Revenue from contracts with customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. This accounting standard is not expected to have a material impact on the financial statements.

There are also a number of accounting standards and interpretations issued by the AASB that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2017. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

AASB 16 Leases is effective for annual periods beginning on or after 1 January 2019. The standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The company has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailsed assessment. The actual impact of applying AASB 16 on the financial staetements in the period of initial application will depend on future economic conditions, including the company's borrowing rate at 1 January 2019, the composition of the lease portfolio at that date, the latest assessment of whether the company will exercise any lease renewal options and the extent to which the company chooses to use practical expedients and recognition of exemptions

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating leases of its branch. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount, on an undiscounted basis (see Note 23).

No significant impact is expected for the company's finance leases.

Note 1. Summary of significant accounting policies (continued)

(e) Comparative figures

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

(f) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Fair value assessment of non-current physical assets

The AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

Employee benefits provision

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset.

Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

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

Note 2. Revenue

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

Margin is paid on all core banking products. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin

The company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (ie. 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.

Note 2. Revenue (continued)

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

Rendering of services

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

Interest, dividend and other income

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

Dividend and other revenue is recognised when the right to the income has been established.

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

	2018 $	2017 $
Revenue		
- service commissions	840,141	778,023
	840,141	**778,023**
Other revenue		
- interest received	11,222	11,893
- other revenue	-	2,612
	11,222	**14,505**
Total revenue	**851,363**	**792,528**

Note 3. Expenses

Operating expenses

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised leased assets, but excluding freehold land, is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use.

Note 3. Expenses (continued)

Depreciation (continued)

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

Class of asset	Rate	Method
Leasehold improvements	2.5%	SL
Plant and equipment	13.3% - 40%	DV
Furniture and fittings	5% - 50%	DV
Motor vehicles	25%	DV

Gains/losses upon disposal of non-current assets

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

	2018 $	2017 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	314,401	300,220
- superannuation costs	27,434	28,318
- other costs	8,250	12,048
	350,085	**340,586**
Community contributions		
- sponsorship	151,141	63,329
- donations	1,159	1,075
Other advertising and promotions		
- advertising	6,410	8,541
- marketing	10,844	7,096
- marketing contractor	40,988	34,383
	210,542	**114,424**
Depreciation and amortisation		
Depreciation		
- furniture and fittings	5,101	4,024
- computer equipment	398	-
- leasehold improvements	1,860	1,545
- motor vehicle	6,323	7,141
	13,682	**12,710**

Note 3. Expenses (continued)

	2018 $	2017 $
Amortisation		
- franchise agreement	1,991	2,307
- franchise renewal fee	13,360	11,537
	15,351	**13,844**
Total depreciation and amortisation	**29,033**	**26,554**
Finance costs		
- Interest paid	1,037	895
Bad and doubtful debts expenses	431	(8,365)
(Gain) / Loss on disposal of property, plant and equipment	-	(2,611)
Auditors' remuneration		
Remuneration of the Auditor, Evolve Accounting Solutions, for:		
- Audit or review of the financial report	3,300	4,514

Note 4. Income tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

	2018 $	2017 $
a. The components of tax expense comprise:		
Current tax expense	13,085	28,982
Movement in Deferred tax expense / (income)	1,863	1,033
Recoupment of prior year tax losses	-	3,302
	14,948	**33,317**

Note 4. Income tax (continued)

	2018 $	2017 $
b. Prima facie tax payable		
The prima facie tax on profit / (loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5%	17,219	32,206
Add tax effect of:		
- timing difference expenses	(1,863)	(1,034)
	15,356	**31,172**
Movement in deferred tax	1,863	1,033
Adjustment to deferred tax to reflect change of tax rate in future periods	-	116
Movement in deferred tax asset (debtors and creditors)	(2,271)	996
Income tax attributable to the entity	**14,948**	**33,317**
The applicable weighted average effective tax rate is	-23.87%	-28.45%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	24,051	-
Income tax paid	(30,733)	(4,931)
Current tax	13,085	28,982
	6,403	**24,051**
d. Deferred tax asset / (liability)		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Accruals	550	550
Employee provisions	8,398	6,441
	8,948	**6,991**
Deferred tax liabilities balance comprises:		
Accrued income	1,171	725
Property, plant & equipment	8,344	4,919
Prepayments	1,207	1,258
	10,722	**6,902**
Net deferred tax asset / (liability)	**(1,774)**	**89**

Note 4. Income tax (continued)

	2018 $	2017 $
e. Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(1,957)	(323)
(Decrease) / increase in deferred tax liabilities	3,820	1,356
	1,863	**1,033**

Note 5. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

	2018 $	2017 $
Cash at bank and on hand	59,997	42,794
Term Deposits	375,000	505,000
	434,997	**547,794**

The effective interest rate on short-term bank deposits was 2.45% (2017: 2.45%); these deposits have an average maturity of 167 days.

Note 6. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

	2018 $	2017 $
Current		
Trade receivables	78,123	72,153
Other receivables	4,925	2,637
	83,048	**74,790**

Note 6. Trade and other receivables (continued)

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

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

	Gross amount $	Not past due $	Past due but not impaired			Past due and impaired $
			< 30 days $	31-60 days $	> 60 days $	
2018						
Trade receivables	78,123	78,024	-	-	99	-
Other receivables	4,925	4,925	-	-	-	-
Total	**83,048**	**82,949**	**-**	**-**	**99**	**-**
2017						
Trade receivables	72,153	72,054	-	-	99	-
Other receivables	7,212	7,212	-	-	-	-
Total	**79,365**	**79,266**	**-**	**-**	**99**	**-**

Note 7. Other assets

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

	2018 $	2017 $
Prepayments	4,391	4,575
	4,391	**4,575**

Note 8. Property, plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

Note 8. Property, plant and equipment (continued)

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

	2018 $	2017 $
Leasehold improvements		
At cost	136,068	61,803
Less accumulated depreciation	(17,013)	(15,153)
	119,055	**46,650**
Computer Software		
At cost	12,336	12,336
Less accumulated depreciation	(11,407)	(11,009)
	929	**1,327**
Motor vehicles		
At cost	35,504	35,504
Less accumulated depreciation	(12,645)	(6,322)
	22,859	**29,182**
Furniture and fittings		
At cost	151,771	137,503
Less accumulated depreciation	(121,870)	(116,769)
	29,901	**20,734**
Total property, plant and equipment	**172,744**	**97,893**

Note 8. Property, plant and equipment (continued)

	2018 $	2017 $
Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the reporting period	46,650	48,195
Additions	74,265	-
Disposals	-	-
Depreciation expense	(1,860)	(1,545)
Balance at the end of the reporting period	**119,055**	**46,650**
Computer Software		
Balance at the beginning of the reporting period	1,327	-
Additions	-	1,329
Disposals	-	-
Depreciation expense	(398)	(2)
Balance at the end of the reporting period	**929**	**1,327**
Motor vehicles		
Balance at the beginning of the reporting period	29,182	7,967
Additions	-	35,504
Disposals	-	(7,148)
Depreciation expense	(6,323)	(7,141)
Balance at the end of the reporting period	**22,859**	**29,182**
Furniture and fittings		
Balance at the beginning of the reporting period	20,734	22,117
Additions	14,268	2,641
Disposals		-
Depreciation expense	(5,101)	(4,024)
Balance at the end of the reporting period	**29,901**	**20,734**
Total property, plant and equipment		
Balance at the beginning of the reporting period	97,893	78,279
Additions	88,533	39,474
Disposals	-	(7,148)
Depreciation expense	(13,682)	(12,712)
Balance at the end of the reporting period	**172,744**	**97,893**

Note 9. Intangible assets

Franchise fees and establishment costs (if applicable) have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation in the Statement of Profit or Loss and Other Comprehensive Income.

	2018 $	2017 $
Franchise fee		
At cost	15,553	11,537
Less accumulated amortisation	(12,961)	(11,138)
	2,592	**399**
Renewal processing fee		
At cost	-	57,684
Less accumulated amortisation	-	(55,693)
	-	**1,991**
Total intangible assets	**2,592**	**2,390**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	399	2,706
Additions	15,553	-
Disposals	-	-
Amortisation expense	(13,360)	(2,307)
Balance at the end of the reporting period	**2,592**	**399**
Renewal processing fee		
Balance at the beginning of the reporting period	1,991	13,528
Additions	-	-
Disposals	-	-
Amortisation expense	(1,991)	(11,537)
Balance at the end of the reporting period	**-**	**1,991**
Total intangible assets		
Balance at the beginning of the reporting period	2,390	16,234
Additions	15,553	-
Disposals	-	-
Amortisation expense	(15,351)	(13,844)
Balance at the end of the reporting period	**2,592**	**2,390**

Note 10. Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

	2018 $	2017 $
Current		
Unsecured liabilities:		
Trade creditors	14,810	17,527
Other creditors and accruals	7,839	21,566
	22,649	**39,093**

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

Note 11. Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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

Note 12. Borrowings

Finance Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset - but not the legal ownership - are transferred to the company, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

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

Note 12. Borrowings (continued)

	2018 $	2017 $
Current		
Secured liabilities		
Chattel mortgage	7,919	7,919
Non-current		
Secured liabilities		
Chattel mortgage	9,511	16,395
Total borrowings	**17,430**	**24,314**

The finance lease of motor vehicle, which commenced in 2016, is a 4 year lease. Interest is recognised at an average rate of 4.88%.

(a) Lease liabilities

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Note 13. Provisions

Short-term employee benefits

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

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

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Note 13. Provisions (continued)

	2018 $	2017 $
Current		
Provision for annual leave	19,407	16,021
Non-current		
Provision for long service leave	11,130	7,401
Total provisions	**30,537**	**23,422**

Note 14. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

	2018 $	2017 $
755,660 Ordinary shares fully paid	755,660	755,660
Less: Equity raising costs	(25,860)	(25,860)
	729,800	**729,800**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	755,660	755,660
Shares issued during the year	-	-
At the end of the reporting period	**755,660**	**755,660**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

Note 14. Share capital (continued)

Capital management (continued)

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

(i) the Distribution Limit is the greater of:

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

  (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 15. Accumulated losses

	2018 $	2017 $
Balance at the beginning of the reporting period	(113,149)	(166,719)
Profit/(loss) after income tax	47,668	83,796
Dividends paid	(45,340)	(30,226)
Balance at the end of the reporting period	**(110,821)**	**(113,149)**

Note 16. Dividends paid or provided for on ordinary shares

	2018 $	2017 $
Dividends paid or provided for during the year		
Unfranked ordinary dividend of 6 cents per share (2017: 4 cents)	45,340	30,226

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

Note 17. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servcing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjsuted for bonus elements in ordinary shares issues during the year.

	2018 $	2017 $
Basic earnings per share (cents)	6.31	11.09
Earnings used in calculating basic earnings per share	47,668	83,796
Weighted average number of ordinary shares used in calculating basic earnings per share.	755,660	755,660

Note 18. Statement of cash flows

	2018 $	2017 $
(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:		
Cash and cash equivalents (Note 6)	434,997	547,794
As per the Statement of Cash Flow	**434,997**	**547,794**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit / (loss) after income tax	47,668	83,796
Non-cash flows in profit		
- Depreciation	13,682	12,710
- Amortisation	15,351	13,844
- Net (profit) / loss on disposal of property, plant & equipment	-	(2,611)
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(8,258)	(8,812)
- (increase) / decrease in prepayments and other assets	184	4,582
- (Increase) / decrease in deferred tax asset	1,863	4,335
- Increase / (decrease) in trade and other payables	(16,444)	4,030
- Increase / (decrease) in current tax liability	(17,648)	24,051
- Increase / (decrease) in provisions	7,115	1,773
Net cash flows from / (used in) operating activities	**43,513**	**137,698**

Note 19. Director and related party disclosures

(a) Transactions with key management personnel and related parties

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

Timothy Ross
Haley Tudor-Harrop
Janene Ridley
Amy Chandler
Nicole Nally
Toby Permezel (Resigned 14 November 2017)
Sarah Brennan (Resigned 4 August 2017)
Peter Valerio (Appointed 4 August 2017)
John Bowen (Appointed 1 December 2017)
Caroline Hodges (Appointed 2 February 2018)

(b) Key management personnel shareholdings

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

	2018	2017
Timothy Ross	11,500	11,500
Haley Tudor-Harrop	5,503	5,503
Janene Ridley	-	-
Amy Chandler	1,000	1,000
Nicole Nally	3,000	3,000
Toby Permezel (Resigned 14 November 2017)	-	-
Sarah Brennan (Resigned 4 August 2017)	-	-
Peter Valerio (Appointed 4 August 2017)	-	-
John Bowen (Appointed 1 December 2017)	-	-
Caroline Hodges (Appointed 2 February 2018)	-	-
	21,003	**21,003**

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

(c) Other key management transactions

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

Note 20. Events after the reporting period

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

Note 21. Contingent liabilities and contingent assets

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

Note 22. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one area being Mansfield, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2017: 100%).

Note 23. Commitments

Operating lease commitments

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

	2018 $	2017 $
Payable:		
- no later than 12 months	43,382	42,923
- between 12 months and five years	126,531	173,528
- greater than five years	-	7,230
Minimum lease payments	**169,913**	**223,681**

Finance lease commitments

Finance lease liabilitis are payable exclusive of GST as follows:		
Payable:		
- no later than 12 months	7,919	7,919
- between 12 months and five years	10,558	18,477
- greater than five years	-	-
Minimum lease payments	**18,477**	**26,396**
Less future interest charges	(1,047)	(2,082)
Finance lease liability	**17,430**	**24,314**

Note 24. Company details

The registered office and principle place of business is:

Registered Office

96-98 High Street
Mansfield, Victoria 3722

Principal Place of Business

96-98 High Street
Mansfield, Victoria 3722

Note 25. Financial risk management

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established a Governance & Risk Committee which reports regularly to the Board.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 Financial Instruments: Recognition and Measurement as detailed in the accounting policies are as follows:

	Note	2018 $	2017 $
Financial assets			
Cash and cash equivalents	5	434,997	547,794
Trade and other receivables	6	83,048	74,790
Total financial assets		**518,045**	**622,584**
Financial liabilities			
Trade and other payables	10	22,649	39,093
Borrowings	12	17,430	24,314
Total financial liabilities		**40,079**	**63,407**

(a) Credit risk

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

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

Credit risk exposures

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

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

Note 25. Financial risk management (continued)

(a) Credit risk (continued)

None of the assets of the company are past due (2016: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

(b) Liquidity risk

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

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

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

30 June 2018	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	2.45%	434,997	434,997	-	-
Trade and other receivables	N/A	83,048	83,048	-	-
Total anticipated inflows		**518,045**	**518,045**	**-**	**-**
Financial liabilities					
Trade and other payables	N/A	22,649	22,649	-	-
Borrowings	4.88%	17,430	7,919	9,511	-
Total expected outflows		**40,079**	**30,568**	**9,511**	**-**
Net inflow / (outflow) on financial instruments		**477,966**	**487,477**	**(9,511)**	**-**

Note 25. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2017	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	2.45%	547,794	547,794	-	-
Trade and other receivables	N/A	74,790	74,790	-	-
Total anticipated inflows		**622,584**	**622,584**	**-**	**-**
Financial liabilities					
Trade and other payables	N/A	39,093	39,093	-	-
Borrowings	6.8%	24,314	7,919	16,395	-
Total expected outflows		**63,407**	**47,012**	**16,395**	**-**
Net inflow / (outflow) on financial instruments		**559,177**	**575,572**	**(16,395)**	**-**

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the company to interest rate risk are, fixed interest securities, and cash and cash equivalents.

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit $	Equity $
Year ended 30 June 2018		
+/- 1% in interest rates (interest income)	4,270	4,270
+/- 1% in interest rates (interest expense)	-	-
	4,270	**4,270**

Note 25. Financial risk management (continued)

(c) Market risk (continued)

	Profit $	Equity $
Year ended 30 June 2017		
+/- 1% in interest rates (interest income)	5,399	5,399
+/- 1% in interest rates (interest expense)	-	-
	5,399	**5,399**

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

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

Fair value estimation

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

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

	2018		2017	
	Carrying amount $	Fair value $	Carrying amount $	Fair Value $
Financial assets				
Cash and cash equivalents (i)	434,997	434,997	547,794	547,794
Trade and other receivables (i)	83,048	83,048	74,790	74,790
Total financial assets	**518,045**	**518,045**	**622,584**	**622,584**
Financial liabilities				
Trade and other payables (i)	22,649	22,649	39,093	39,093
Borrowings	17,430	17,430	24,314	24,314
Total financial liabilities	**40,079**	**40,079**	**63,407**	**63,407**

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

Directors' declaration

In accordance with a resolution of the Directors of Mansfield & District Community Enterprises, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 12 to 38 are in accordance with the *Corporations Act 2001* and:

   (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2018 and of the performance for the year ended on that date;

2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Timothy John Ross
Director

Signed at Mansfield, Victoria on 27 September 2018.

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Independent Auditors Report to the Members of

Mansfield & District Community Enterprises Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mansfield & District Community Enterprises Limited (the company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

(a) the financial report of Mansfield & District Community Enterprises Limited is in accordance with the *Corporations Act 2001,* including:
 (i) giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the year then ended; and
 (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001:*

 and

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditors Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

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Information Other than the Financial Report and the Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report.

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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

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Paul J Best - Partner
Registered Company Auditor

211 Anstruther Street
Echuca, VIC 3564

Dated this 27th day of September 2018

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