Annual Report 2016

Maroondah Community Enterprises Limited

ABN 91 103 341 993

Ringwood East and Heathmont **Community Bank**® branches

Contents

Chairman's report

For year ending 30 June 2016

It's been a pleasure being the Chairman of Maroondah Community Enterprises Limited now for 15 years. Each year it's fantastic to celebrate the new and exciting levels of customer experience and outcomes our business is having on the residents of the City of Maroondah.

This year has seen unprecedented low interest rates for home borrowers and investors. With low interest rates it has certainly been a challenge maintaining the same levels of profitability.

The Board each year holds a strategic planning day. One of this year's outcomes was to look to evaluate our premises at 62 Railway Ave Ringwood East. The reasons for the decision to sell included paying off the mortgage on 60 Railway Ave Ringwood East. With record low interest rates we thought the sale would generate plenty of interest with the tenant, your **Community Bank**® company offering a 5 x 5 x 5 year lease. Renting back 62 Railway Ave would improve our cash flow and provide us surplus cash to look at relocating our Heathmont **Community Bank**® Branch.

When we opened our Heathmont **Community Bank**® Branch seven years ago it was very difficult to find suitable premises on the South side of Canterbury Road. We have now been able to secure a premises lease at 172 Canterbury Road Heathmont; the former Cheesecake Shop. The proceeds from the sale of 62 Railway Ave. Ringwood East will also pay for the new branch fitout, without going into current cash reserves. The move across the road is strategic with the intention to increase business from local traders, increase foot traffic while providing a choice of banking services for the residents of Heathmont.

The Board has had the great pleasure of working with Mark Challen, the new Ringwood East **Community Bank**® Branch Manager. Mark lives in Ringwood East, he is original shareholder of MCEL, and he comes with over 30 years banking experience from the NAB and 13 years within Bendigo Bank's **Community Bank**® network. Mark has now settled into the role over the last 10 months and has made some great progress with our staff, and our communities groups. Please make sure the next time you in the branch you introduce yourself to Mark and ask him for a complimentary cup of coffee. Mark often welcomes community Groups that use the Boardroom facilities at 60 Railway Ave. The Boardroom use includes free Wi-Fi Audio Visual and office equipment. Café Oliru located in the premises provides on-site catering. The Boardroom is booked on average 20 times each month and has provided in kind benefits to the Community Group users of at least $18,000 each year.

Gary Johnson, our Manager at Heathmont **Community Bank**® Branch and his staff have done a sensational job this year winning three awards in the 'Bendigo Bank Outer Eastern Region Awards' in July this year as well as reaching their financial growth targets at the branch.

The Branch Managers' reports will highlight the banking performances for the last 12 months. I will mention that from 1 July 2016, Bendigo Bank is changing their reporting and revenue share method to a Fund Transfer Pricing model (FTP). This is not uncommon across financial institutions around the world. The **Community Bank**® franchise model is built on a 50/50 revenue split however under the previous revenue share model we had received income splits of 53-56%; we had been earning more than we should have. Under this new revenue share model we are preparing for an impact from the change in the revenue model but as usual have plans in place to grow our business to offset any impact and indeed go to the next level.

Other highlights of the year include the strengthening relationship with Maroondah City Council with the opening of the Aquanation centre; we have contributed $200,000 towards this project over the next 10 years. We are also working with the Eastern Health Foundation to provide scalp cooling machines for women receiving Chemotherapy for breast cancer. These machines will be helping prevent women from losing their hair during chemotherapy, which we are told by Breast Cancer survivors will provide them with a better state of mind while fighting cancer. More information will be emailed to you so please make sure you get behind this fund raising initiative.

Chairman's report (continued)

I would like to acknowledge the hard work and efforts of the Staff, the Board and Committees. I would like to congratulate Sheridan Armstrong on her great news of becoming a Mum. I wish Jay and Sheridan all the very best and look forward to seeing her back at work soon.

We have seen Bendigo Bank change branch regions this year. As a result we now have the services of Craig Thomas and Neville Wiles from Bendigo Bank. We would like to welcome them to our local community family and thank them for all their efforts this year and for the years to come.

I would like to thank our shareholders for their continuing support and am pleased to announce that your Board recently approved a dividend of 6 (six) cents per share made up of an ordinary dividend of 4 (four) cents as well as a Special Dividend of 2 (two) cents per share. This special one-off dividend represents part of the surplus from the sale of 62 Railway Avenue, Ringwood East.

We find ourselves in a strong financial position that enables us to carefully plan our next phase of growth and Community Investment programs. We look forward to updating you on a regular basis on our progress.

Stuart Greig
Chairman

Ringwood East Manager’s report

For year ending 30 June 2016

Whilst the Ringwood East **Community Bank**® Branch has been operating since June 2003, this is my initial Manager’s report since my commencement as Branch Manager in last November. However I did attend the Annual General Meeting (AGM) and present the Manager’s report at that time.

During the past financial year, Colin Sharpe, the previous Branch Manager and Maria, our part time Customer Service Officer, both retired.

The branch has continued to grow in overall volumes in what is a challenging economic environment. Some of these challenges include changes in demographics within the community, customers downsizing their residences with repayment of loans and low interest rates as well as increased debt reduction which affects both our lending volumes and depositors/investors.

However, we have been able to continue our success with satisfying our customers’ needs with different types of insurances which gives them ‘peace of mind’ to ensure they are adequately insured in the event of any unforeseen circumstances.

This resulted in the branch winning the Regions ‘General Insurance Sales Award’ and I congratulate the staff for a wonderful team effort in achieving this.

We continue to engage with our community groups and look forward to continuing and enhancing these relationships. We have now re-invested over $2 million into our local community.

Our team of Tony, Sheree, Katrina, Sharon, Sheridan, Tracey and Jade remain dedicated and loyal and I thank them for their support and dedication to the success of the branch since my commencement.

I would like to thank our Chairman, Stuart Greig, Directors and members of committees for their support to the branch.

To our shareholders and customers, I sincerely thank you for your support over the year.

More importantly, we would like you to become advocates for your local **Community Bank**® branch by referring any friends, family or business associates to discuss any financial requirements, whether lending, investment, financial planning or any insurance needs. Better still, we may be able to review your current and discuss future requirements over a cup of coffee.

We are keen to continue and increase our contribution made to our local community, hence we require your assistance in what continues to be a challenging banking environment.

Mark Challen
Branch Manager, Ringwood East

Heathmont Manager’s report

For year ending 30 June 2016

Thank you again to the customers of the Heathmont **Community Bank**® Branch for their support during for the financial year 2015/16.

The team at Heathmont are committed to helping our customers achieve their financial goals and I would like to thank each and every one of the staff at the Heathmont **Community Bank**® Branch

Our people being Annette, Faye, Ann, Angela, Michelle, Toni and I continue to service the banking and community needs of the Heathmont people.

I encourage our local community to utilise the services our branch provides. Our branch provides a comprehensive range of services including loans, insurance and wealth products. Our focus at the branch is to find solutions for our customers and to assist them in achieving their financial goals and we do this by building a relationship with them and matching specific products to their specific needs.

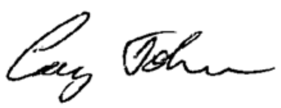
The final business growth achieved by the branch for the end of financial year was $10.378 million which exceeded our growth target for the financial year of $9 million. The branch achieved this by focusing on providing flexible and quality customer service to our new and existing customers and by exploring opportunities to offer residential lending.

I believe that our staff will continue to connect with our customers which will ensure are on-going success at Heathmont **Community Bank**® Branch.

The highlight for our branch was being rewarded with two prizes at the regional awards function. For the second year running the branch won the ‘Financial Planning Award’ which is measured by having the most customers engaged in a meaningful discussion with an expert about their financial future. The second prize was the ‘Rising Star Award’ in recognition of our achievements across multiple categories of banking business.

I would like to thank our Chairman, Stuart Greig and all of the Directors and members of our committees for their support of the branch and also to our shareholders, customers and community groups for their partnerships. The Heathmont community is a vibrant one with many different clubs, groups, schools and kindergartens and we will to continue engage with these groups. I encourage members of all the different sports clubs and school communities to choose Heathmont **Community Bank**® Branch when it comes to their banking needs. I believe Heathmont is a unique area that includes an excellent shopping strip, wonderful sports precincts at H.E. Parker Reserve and Jubilee Park plus many schools and services available.

Looking ahead we are very excited about moving in to a new premises at 172 Canterbury Rd and invite everyone to come and visit.



Gary Johnson
Branch Manager, Heathmont

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:

Stuart Robert Greig

Chairman

Occupation: Estate Agent and Property Developer

Qualifications, experience and expertise: Stuart has been the Chairman of the company since inception and is actively involved in community activities including the Ringwood East Traders Association.

Special responsibilities: Chair of Special Projects Committee

Interest in shares: 6,002

Christopher Henry Monaghan

Deputy Chairman

Occupation: Business Consultant

Qualifications, experience and expertise: Chris has re-joined Fairfax Media as ACM Circulation Manager, looking after regional newspapers after leaving the business in 2008, to pursue other business interests. During that period, Chris was a partner in a consulting business, working with small to medium size local business, local and state government and local community groups. Chris continues his involvement in local sporting clubs and has a recruiting role with the Box Hill Hawks.

Special responsibilities: Chair of Nominations Committee

Interest in shares: 500

Neville Keith Walker

Treasurer and Secretary

Occupation: Chartered Accountant

Qualifications, experience and expertise: Neville is a Chartered Accountant, Registered Tax Agent and Registered Company Auditor. He has previously been a Board member of a Cricket Club, School Council and a Community Health Service.

Special responsibilities: Chair of Finance Committee & Treasurer

Interest in shares: 20,002

William Pirie Sutherland

Director

Occupation: Company Director

Qualifications, experience and expertise: Bill has recently retired as a Financial Controller having previously been in banking for 29 years and a retail owner for 13.5 years. He has been involved in both local Lions and Rotary Clubs for 17 years.

Special responsibilities: Major Projects, Special Projects, Marketing & Communications and Finance Committees

Interest in shares: 25,502

Directors (continued)

Anthony Morris Hart

Director

Occupation: Company Director

Qualifications, experience and expertise: Tony currently operates a cafe business for the past three years. His previous experience includes a senior position with National Australia Bank for over 30 years, running his own baking franchise for 18 years and was a commissioned officer with the Australian Defence Force. He is currently President of the Ringwood Chamber of Commerce and a member of Heathmont Lions Club.

Special responsibilities: Nominations Committee

Interest in shares: 1,000

Craig John Broadbent

Director

Occupation: Company Director

Qualifications, experience and expertise: Craig is an experienced Senior executive with AICD, finance and technology experience. He brings a unique blend of banking and technology experience blended with many years as a senior executive running professional services and software businesses. Craig is heavily involved in the local community through church activities, sporting clubs and charity/fundraising events.

Special responsibilities: Nominations committee

Interest in shares: Nil

Arthur Michael Corcoris

Director

Occupation: Supermarket Manager

Qualifications, experience and expertise: Arthur has been a part of the local IGA supermarket in Ringwood for 40 years and Heathmont IGA for 5 years and is active within the local community. He was one of the founding director's of the company and has been involved in the local community serving on a number of boards.

Special responsibilities: Major Projects

Interest in shares: 40,002

Janet Ruth McGannon

Director (Appointed 11 November 2015)

Occupation: Management Consultant

Qualifications, experience and expertise: Jan is the owner of a small management consultancy company. She had been involved in many volunteer roles in Maroondah and is a resident of Ringwood east.

Special responsibilities: Chair of HR Committee

Interest in shares: 10,002

Maxwell Ernest Vincent

Director (Deceased 14 October 2015)

Occupation: Retired Businessman

Qualifications, experience and expertise: Max ran a successful cabinet making business for over 30 years. He is a life member of the East Ringwood Football Club, a keen supporter and local sporting identity.

Special responsibilities: None

Interest in shares: 120,000 (Estate)

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 Neville Keith Walker. Neville was appointed to the position of secretary on 10 January 2003.

Qualifications, experience and expertise Mr Walker is a Chartered Accountant, Registered Tax Agent and Registered Company Auditor. For 34 years prior to his recent retirement he was a director of an accountancy practice located in Ringwood East and for 15 years prior to that he was employed by several accounting practices both in Australia and Overseas.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2016 $	Year ended 30 June 2015 $
199,398	137,479

Dividends

	Year ended 30 June 2016	
	Cents	$
Dividends paid in the year	4	72,325

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

The building at 62 Railway Avenue was sold at auction on the 10 August 2016 with settlement due on 10 November 2016. As part of the sale the company will enter into a 5 year lease commencing from the settlement date. As the proceeds from the sale will be used to reduce existing debt it is estimated that there will be minimal financial impact.

The company has entered into a lease agreement for a premises on the opposite side of the road for the Heathmont branch. The estimated financial impact is on an annualised basis is expected to be $25,000.

There are no other 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.

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 except as disclosed in note 22 to the financial statements. 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.

Environmental regulation

The company is not subject to any significant environmental regulation.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended					
			Audit		Marketing		Human Resources	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Stuart Robert Greig	12	12	3	3	11	10	8	7
Christopher Henry Monaghan	12	11	-	-	-	-	8	8
Neville Keith Walker	12	9	3	3	-	-	-	-
William Pirie Sutherland	12	11	3	2	11	3	-	-
Anthony Morris Hart	12	12	-	-	-	-	-	-
Craig John Broadbent	12	8	-	-	-	-	-	-
Arthur Michael Corcoris	12	7	-	-	-	-	-	-
Janet Ruth McGannon (Appointed 11 November 2015)	7	7	-	-	-	-	-	-
Maxwell Ernest Vincent (Deceased 14 October 2015)	4	4	-	-	-	-	-	-

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

Signed in accordance with a resolution of the board of directors at Ringwood East, Victoria on 23 September 2016.

Stuart Robert Greig,
Chairman

Auditor’s independence declaration

Partners in success
Chartered Accountants

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

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

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 23 September 2016

David Hutchings
Lead Auditor

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

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Financial statements

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

	Notes	2016 $	2015 $
Revenue from ordinary activities	4	2,053,415	2,077,519
Employee benefits expense		(1,073,560)	(1,145,205)
Charitable donations, sponsorship, advertising and promotion		(137,248)	(125,720)
Occupancy and associated costs		(110,681)	(98,869)
Systems costs		(38,798)	(39,306)
Depreciation and amortisation expense	5	(85,415)	(92,520)
Finance costs	5	(56,919)	(65,910)
General administration expenses		(302,821)	(309,948)
Profit before income tax expense		**247,973**	**200,042**
Income tax expense	6	(48,575)	(62,563)
Profit after income tax expense		**199,398**	**137,479**
Total comprehensive income for the year		**199,398**	**137,479**
Earnings per share for loss attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	23	11.03	7.60

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2016

	Notes	2016 $	2015 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	690,012	599,397
Trade and other receivables	8	255,685	197,295
Current tax asset	11	-	3,755
Total Current Assets		**945,697**	**800,447**
Non-Current Assets			
Trade and other receivables	8	-	8,900
Property, plant and equipment	9	1,936,899	1,968,129
Intangible assets	10	71,031	98,617
Deferred tax asset	11	136,599	101,168
Total Non-Current Assets		**2,144,529**	**2,176,814**
Total Assets		**3,090,226**	**2,977,261**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	101,540	74,514
Current tax liabilities	11	32,031	-
Borrowings	13	148,860	149,100
Provisions	14	94,307	74,407
Total Current Liabilities		**376,738**	**298,021**
Non-Current Liabilities			
Borrowings	13	909,049	1,000,312
Provisions	14	17,466	19,028
Total Non-Current Liabilities		**926,515**	**1,019,340**
Total Liabilities		**1,303,252**	**1,317,361**
Net Assets		**1,786,973**	**1,659,900**
Equity			
Issued capital	15	1,073,286	1,073,286
Retained earnings	16	713,687	586,614
Total Equity		**1,786,973**	**1,659,900**

The accompanying notes form part of these financial statements.

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

	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2014	**1,059,904**	**449,135**	**1,509,039**
Total comprehensive income for the year	**-**	**137,479**	**137,479**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	13,382	-	13,382
Dividends provided for or paid	-	-	-
Balance at 30 June 2015	**1,073,286**	**586,614**	**1,659,900**
Balance at 1 July 2015	**1,073,286**	**586,614**	**1,659,900**
Total comprehensive income for the year	**-**	**199,398**	**199,398**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(72,325)	(72,325)
Balance at 30 June 2016	**1,073,286**	**713,687**	**1,786,973**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		2,106,607	2,134,991
Payments to suppliers and employees		(1,779,910)	(1,796,343)
Interest received		11,201	13,560
Rent received		10,974	7,504
Interest paid		(56,919)	(65,910)
Income taxes paid		(48,220)	(110,109)
Net cash provided by operating activities	**17**	**243,733**	**183,693**
Cash flows from investing activities			
Payments for property, plant and equipment		(5,289)	(1,357)
Loan repayments received		16,000	17,100
Net cash provided by investing activities		**10,711**	**15,743**
Cash flows from financing activities			
Repayment of borrowings		(91,504)	(86,147)
Dividends paid		(72,325)	(81,365)
Net cash used in financing activities		**(163,829)**	**(167,512)**
Net increase in cash held		**90,615**	**31,924**
Cash and cash equivalents at the beginning of the financial year		599,397	567,473
Cash and cash equivalents at the end of the financial year	**7(a)**	**690,012**	**599,397**

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 and a new interpretation 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 or the new interpretation 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.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

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

	Effective for annual reporting periods beginning on or after
AASB 16 Leases	1 January 2019
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 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 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
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 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

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

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide 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**® branches franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

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

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

b) Revenue

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

Revenue calculation

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

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

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

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

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

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

Commission

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

Fee income

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

Ability to change financial return

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

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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

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

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

Monitoring and changing financial return

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

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

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

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

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

c) Income tax

Current tax

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

Deferred tax

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

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

Note 1. Summary of significant accounting policies (continued)

g) Property, plant and equipment

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

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

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

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

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.

(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 that 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.

Note 1. Summary of significant accounting policies (continued)

m) Provisions (continued)

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.

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

Note 2. Financial risk management (continued)

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

Note 3. Critical accounting estimates and judgements (continued)

Taxation (continued)

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

Notes to the financial statements (continued)

	2016 $	2015 $

Note 4. Revenue from ordinary activities

Operating activities:		
- services commissions	2,031,019	2,057,187
Total revenue from operating activities	**2,031,019**	**2,057,187**
Non-operating activities:		
- interest received	11,421	12,828
- rental revenue	10,974	7,504
Total revenue from non-operating activities	**22,395**	**20,332**
Total revenues from ordinary activities	**2,053,415**	**2,077,519**

Note 5. Expenses

Depreciation of non-current assets:		
- property, plant and equipment	19,292	26,120
- leasehold improvements	36,613	36,613
- motor vehicle	150	427
Amortisation of non-current assets:		
- borrowing expenses	1,773	1,773
- franchise agreement	4,598	4,598
- franchise renewal fee	22,989	22,989
	85,415	**92,520**
Finance costs:		
- interest paid	**56,919**	**65,910**
Bad debts	**-**	**5,194**

Note 6. Income tax expense

The components of tax expense comprise:		
- Current tax	84,006	58,987
- Movement in deferred tax	(35,431)	3,576
	48,575	**62,563**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	247,973	200,042
Prima facie tax on profit from ordinary activities at 30% (2015: 30%)	74,392	60,013

Notes to the financial statements (continued)

	2016 $	2015 $
Note 6. Income tax expense (continued)		
Add tax effect of:		
- non-deductible expenses	546	2,455
- timing difference expenses	9,068	(3,379)
- other deductible expenses	-	(102)
	84,006	**58,987**
Movement in deferred tax	(35,431)	3,576
	48,575	**62,563**

Note 7. Cash and cash equivalents

	2016 $	2015 $
Cash at bank and on hand	398,188	315,538
Term deposits	291,824	283,859
	690,012	**599,397**

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:

	2016 $	2015 $
Cash at bank and on hand	398,188	315,538
Term deposits	291,824	283,859
	690,012	**599,397**

Note 8. Trade and other receivables

Current:

	2016 $	2015 $
Trade receivables	173,004	162,677
Prepayments	69,016	12,300
Other receivables and accruals	4,765	6,318
Loans	8,900	16,000
	255,685	**197,295**

Trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

Non-Current

	2016 $	2015 $
Loans	**-**	**8,900**

Note 8. Trade and other receivables (continued)

During the 2013 year loans were provided by the company to allow commencement of a project to install five LED scoreboards at various sporting grounds around the region. The funds are to be reimbursed to the company by two organisations, repayable as follows:

- $48,000 over 48 months, at $1,000 per month, commencing in May 2013.
- $12,000 over 36 months, at $333 per month, commencing in July 2013.

Neither loan attracts interest.

	2016 $	2015 $
Note 9. Property, plant and equipment		
Land and buildings		
Freehold land		
At cost	500,000	500,000
Buildings		
At cost	1,464,532	1,464,532
Less accumulated depreciation	(135,124)	(98,511)
	1,329,407	**1,366,021**
Leasehold improvements		
At cost	383,069	397,887
Less accumulated depreciation	(383,069)	(397,887)
	-	-
Plant and equipment		
At cost	236,708	211,883
Less accumulated depreciation	(129,451)	(110,158)
	107,258	**101,725**
Motor vehicles		
At cost	98,631	98,631
Less accumulated depreciation	(98,398)	(98,248)
	234	**383**
Total written down amount	**1,936,899**	**1,968,129**

	2016 $	2015 $

Note 9. Property, plant and equipment (continued)

Movements in carrying amounts:

	2016 $	2015 $
Land		
Carrying amount at beginning	500,000	500,000
Additions	-	-
Disposals	-	-
Less: depreciation expense	-	-
Carrying amount at end	**500,000**	**500,000**
Buildings		
Carrying amount at beginning	1,366,021	1,402,635
Additions	-	-
Disposals	-	-
Less: depreciation expense	(36,613)	(36,613)
Carrying amount at end	**1,329,408**	**1,366,022**
Plant and equipment		
Carrying amount at beginning	101,725	126,487
Additions	24,825	1,357
Disposals	-	-
Less: depreciation expense	(19,292)	(26,120)
Carrying amount at end	**107,258**	**101,724**
Motor vehicles		
Carrying amount at beginning	383	810
Additions	-	-
Disposals	-	-
Less: depreciation expense	(150)	(427)
Carrying amount at end	**233**	**383**
Total written down amount	**1,936,899**	**1,968,129**

Note 10. Intangible assets

	2016 $	2015 $
Franchise fee		
At cost	34,278	34,278
Less: accumulated amortisation	(22,439)	(17,842)
	11,839	**16,436**

Notes to the financial statements (continued)

	2016 $	2015 $
Note 10. Intangible assets (continued)		
Renewal processing fee		
At cost	191,385	191,385
Less: accumulated amortisation	(132,193)	(109,204)
	59,192	**82,181**
Total written down amount	**71,031**	**98,617**

Note 11. Tax

Current		
Income tax (refundable)/payable	**32,031**	**(3,755)**
Non-Current		
Deferred tax assets		
- employee provisions	33,532	28,031
- property, plant and equipment	103,505	73,137
- superannuation payable	124	-
	137,162	**101,168**
Deferred tax liability		
- deductible prepayments	562	-
	562	**-**
Net deferred tax asset	**136,599**	**101,168**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**35,431**	**3,575**

Note 12. Trade and other payables

Current:		
Trade creditors	53,434	8,414
Other creditors and accruals	48,106	66,100
	101,540	**74,514**

	2016 $	2015 $

Note 13. Borrowings

Current:		
Bank loans	**148,860**	**149,100**
Non-Current:		
Bank loans	**909,049**	**1,000,312**

There are 3 bank loans each repayable monthly with the final instalment due on 21 December 2026, 14 December 2032 and July 2033. Interest is recognised at an average rate of 5.16% (2015: 5.53%). The loans are secured by a fixed and floating charge over the company assets.

	2016 $	2015 $

Note 14. Provisions

Current:		
Provision for annual leave	36,992	34,379
Provision for long service leave	57,315	40,028
	94,307	**74,407**
Non-Current:		
Provision for long service leave	**17,466**	**19,028**

Note 15. Contributed equity

1,808,118 ordinary shares fully paid (2015: 1,808,118)	1,148,109	1,148,109
Less: equity raising expenses	(74,823)	(74,823)
	1,073,286	**1,073,286**

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.

Note 15. Contributed equity (continued)

Rights attached to shares (continued)

(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 386. As at the date of this report, the company had 408 shareholders.

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

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

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

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.

Note 16. Retained earnings

	2016 $	2015 $
Balance at the beginning of the financial year	586,614	449,135
Net profit from ordinary activities after income tax	199,398	137,479
Dividends paid or provided for	(72,325)	(81,365)
Balance at the end of the financial year	**713,687**	**586,614**

Note 17. Statement of cash flows

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

	2016 $	2015 $
Profit from ordinary activities after income tax	199,398	137,479
Non cash items:		
- depreciation	56,055	63,160
- amortisation	29,360	29,360
- start-up costs	-	13,382
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(67,263)	16,431
- (increase)/decrease in other assets	(31,676)	3,575
- increase/(decrease) in payables	7,490	(1,606)
- increase/(decrease) in provisions	18,338	(26,967)
- increase/(decrease) in current tax liabilities	32,031	(51,121)
Net cash flows provided by operating activities	**243,733**	**183,693**

Note 18. Leases

Operating lease commitments

	2016 $	2015 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	28,677	31,284
- between 12 months and 5 years	-	28,677
- greater than 5 years	-	-
	28,677	**59,961**

The Heathmont branch lease is a non-cancellable lease with a two year term which commenced in May 2015, with rent payable monthly in advance.

Notes to the financial statements (continued)

	2016 $	2015 $

Note 19. Auditor's remuneration

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

- audit and review services	6,400	6,050
- non audit services	725	-
	5,383	**6,050**

Note 20. Director and related party disclosures

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

Stuart Robert Greig
Christopher Henry Monaghan
Neville Keith Walker
William Pirie Sutherland
Anthony Morris Hart
Craig John Broadbent
Arthur Michael Corcoris
Janet Ruth McGannon (Appointed 11 November 2015)
Maxwell Ernest Vincent (Deceased 14 October 2015)

	2016 $	2015 $
Transactions with Key Management Personnel		
Nammin Pty Ltd, Yarra Valley Property Services Pty Ltd and S & S Properties Pty Ltd (2015) a company's associated with Stuart Robert Greig supplied services or goods to the value of	10,000	10,000
Pauls IGA a company associated with Arthur Michael Corcoris supplied services or goods to the value of	3,803	4,006
MGN Consultancy Pty Ltd a company associated with Janet Ruth McGannon supplied services or goods to the value of	3,793	-
Lighthouse Cleaning an entity associated with Craig John Broadbent supplied services or goods to the value of	13,902	4,792

	2016	2015
Directors' shareholdings		
Stuart Robert Greig	6,002	4,002
Christopher Henry Monaghan	500	500
Neville Keith Walker	20,002	20,002
William Pirie Sutherland	25,002	25,002
Anthony Morris Hart	1,000	1,000

Notes to the financial statements (continued)

Note 20. Director and related party disclosures (continued)

	2016	2015
Directors' shareholdings (continued)		
Craig John Broadbent	-	-
Arthur Michael Corcoris	40,002	40,002
Janet Ruth McGannon (Appointed 11 November 2015)	10,002	10,002
Maxwell Ernest Vincent (Deceased 14 October 2015)	120,000	120,000

There was movements in directors' shareholdings during the year.

Note 21. Dividends paid or provided

	2016 $	2015 $
a. Dividends paid during the year		
2016 year dividend		
100% (2015: 100%) franked dividend - 4 cents per share (2015: 4)	**72,325**	**81,365**
b. Dividends proposed and not recognised as a liability		
Current year final dividend		
100% franked dividend - Nil cents per share (2015: 4)	**-**	**72,325**
The tax rate at which dividends have been franked is 30% (2015: 30%).		
Dividends proposed will be franked at a rate of 30% (2015: 30%).		
c. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	593,372	576,148
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	16,935	(3,689)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	**610,307**	**572,459**
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	30,996
Net franking credits available	**610,307**	**603,455**

Note 22. Key Management Personnel Disclosures

Directors' remuneration

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

	$
Stuart Robert Greig	12,500
Christopher Henry Monaghan	3,347
Neville Keith Walker	3,563
William Pirie Sutherland	1,243
Craig John Broadbent	1,243
Janet Ruth McGannon (Appointed 11 November 2015)	1,700

The following directors were either declined or were ineligible to receive directors remuneration for the year

Anthony Morris Hart

Arthur Michael Corcoris

Maxwell Ernest Vincent (Deceased 14 October 2015)

Community Bank® Directors' Privileges Package

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

Note 23. Earnings per share

	2016 $	2015 $
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	199,398	137,479
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,808,118	1,808,118

Note 24. Events occurring after the reporting date

The building at 62 Railway Avenue was sold at auction on the 10 August 2016 with settlement due on 10 November 2016. As part of the sale the company will enter into a 5 year lease commencing from the settlement date. As the proceeds from the sale will be used to reduce existing debt it is estimated that there will be minimal financial impact.

The company has entered into a lease agreement for a premises on the opposite side of the road for the Heathmont branch. The estiamted financial impact is on an annualised basis is expected to be $25,000.

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, other than:

- Aquanation:

  The company has entered into a 10 year sponsorship agreement whereby an amount of $50,000 was payable in August 2016 and a further amount of $100,000 will be payable. These payments together with an amount of $50,000 that was paid during the 2016 financial year will make up the total funds committed of $200,000. The amount that will be charged to the profit and loss for the years 2016 to 2025 will be $20,000 per year.

Note 26. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**® services in Ringwood East and Heathmont 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

62 Railway Avenue
Ringwood East Vic 3135

Principal Place of Business

62 Railway Avenue
Ringwood East Vic 3135

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.

	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 %**	**2015 %**
Financial assets												
Cash and cash equivalents	398,188	315,538	291,824	283,859	-	-	-	-	-	-	1.53	2.51
Receivables	-	-	-	-	-	-	-	-	173,004	162,677	N/A	N/A
Financial liabilities												
Interest bearing liabilities	1,057,908	1,149,412	-	-	-	-	-	-	-	-	5.16	5.53
Payables	-	-	-	-	-	-	-	-	53,434	8,414	N/A	N/A

Note 28. Financial instruments (continued)

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.

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:

	2015 $	**2015 $**
Change in profit/(loss)		
Increase in interest rate by 1%	(5,500)	(6,681)
Decrease in interest rate by 1%	(5,500)	(6,681)
Change in equity		
Increase in interest rate by 1%	(5,500)	(6,681)
Decrease in interest rate by 1%	(5,500)	(6,681)

Directors' declaration

In accordance with a resolution of the directors of Maroondah 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.

Stuart Robert Greig,
Chairman

Signed on the 23rd September 2016.

Independent audit report

Partners in success

Chartered Accountants

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

Report on the financial report

We have audited the accompanying financial report of Maroondah 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.

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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 Maroondah 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: 23 September 2016

David Hutchings
Lead Auditor

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