

SUPPORTING GRIEFLINE



Annual Report 2017

Maroondah Community
Enterprises Limited

ABN 91 103 341 993

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

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Chairman's report

For year ending 30 June 2017

It's been a pleasure being the Chairman of Maroondah Community Enterprises Limited for 16 years. Each year it's fantastic to celebrate the new and exciting levels of customer experience and outcomes our business is having with the residents of the City of Maroondah.

As we approach 20 years of the Bendigo **Community Bank®** model, the workload, opportunities and good news stories of this great organisation continues to amaze me.

I say each year that this year has been a very busy year. I think this year has been the biggest year over my last 15 years as Chairman. We sold the freehold at 62 Railway Avenue Ringwood East. This allows us to be debt free on 60 Railway Avenue, Ringwood East. We relocated the Heathmont **Community Bank®** Branch across the road at the end of last year which I project managed saving the company over \$50,000 in comparison to other quotes. The Heathmont CBA closed their doors earlier this year which has provided our staff with a fantastic opportunity to take our Heathmont **Community Bank®** Branch to the next level.

Our Heathmont **Community Bank®** Branch Manager, Gary Johnson, has moved roles within the Bendigo Bank network. This gave the Board an opportunity to conduct a review of the business including staffing structures, levels as well as the skill sets of all our staff. On 1 July, the Board put in place a new structure which we are sure will provide massive payback. We have great staff with outstanding skill sets and product knowledge. I would like to thank all the staff for their efforts this year which saw both branches reaching their targets and budgets. Ringwood East won the General Insurance award this year at the regional awards for knowledge and results.

The staffing restructure, after internal and external consultation, was designed to provide a better customer service and to be adaptable and mobile to our customers' needs. We now have two Mobile Lenders on the road who are happy to meet with our customers at their work place, home after hours or at the branch. Mark Challen is based at Ringwood East. Adam Simpson, who has spent the last 12 years NAB, is based at Heathmont.

Jade Mainwaring is now the new Senior Customer Relationship Manager at Ringwood East **Community Bank®** Branch with Annette Parry the new Senior Customer Relationship Manager at Heathmont. They have already made a fantastic contribution to the overall staffing structure moving into new markets for us to develop, with new community relationships while providing great support and encouragement to our existing staff.

The community hub is now three years old. The Boardroom is used over 30 times a month. We have seen increased business from our community groups and business from local customers, all while using the coffee shop as well. The coffee shop changed hands this year with Kath and Graeme selling up. We thanks them for their contribution to the sense of community they built and wish them all the very best in the future. We welcome Vinnie to the team and hope that he continues to serve great coffee and continue in the community spirit that the Café hub was designed for. Anne Hoare, our Bendigo Bank Financial Planner works in the community hub offices. It's great to have her expertise readily available to our customers for all their financial planning and wealth product needs.

It's been an up and down year emotionally with our staff this year. We have celebrated some big milestone birthdays with Tony Taccone, Sheree Foster, Chris Monaghan and Jade Mainwaring. We have also commemorated and celebrated the lives of lost ones this year. Our thoughts are with Sharon who lost her mother, Faye with the loss of her brother, Tony with the loss of his father in law, Annette with the loss of her father.

The Branches Managers' reports will highlight the banking performances for the last 12 months. I congratulate them on the great outcomes they have achieved this year.

Other highlights this year included the www.coolheads.org.au campaign which raised \$145,000 for the Eastern Health Foundation for two scalp cooling machines. These machines will help prevent women from losing their hair during chemotherapy. These machines are the first in Victorian system free to the public patients.

We will see the presentation of a new video produced by Bendigo Bank for the **Community Bank®** network. It will highlight our point of difference of the **Community Bank®** model in banking.

Chairman's report (continued)

Another campaign was that we raised just over \$1,500 for the Chamberlain Foundation which was part of \$60,000 which was donated to Grief Line.

I would like to acknowledge the hard work and efforts of the staff, the Board and sub committees. I would like to congratulate Annette on her 10 years of service with MCEL. I would like to thank Jan McGannon as chair of HR, Alex for efforts as Board Executive Officer and welcome Matt Canon as our new Treasurer. I would also like to welcome Rob Steane who has joined the Marketing Committee. If you are interested in becoming involved in our sub committees/Board please do not hesitate to give me a call.

I would also like to thank Craig Thomas and Neville Wiles our regional management team at Bendigo Bank. We are fortunate to have these guys as our partners representing Bendigo Bank.

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 2017

It is pleasing to report that the Ringwood East **Community Bank®** Branch has continued to grow in overall banking volumes. Whilst our lending volumes did not grow, deposits, investments, superannuation products, insurances and financial planning referrals growth budget were achieved.

It was most pleasing for the branch to receive the Regions overall winner award for general insurance sales for consecutive years. Congratulations to Sheree who was the product champion for our team.

During the past year we saw a number of staff changes with our longstanding employee, Tracey Harward leave the organisation and we thank her for her contribution and wish her all of the best for the future. Sheridan also commenced maternity leave and we congratulate her and Jay on the arrival of Poppy. We also saw Katrina, our Customer Relationship Officer earn a promotion to another branch closer to her home and we congratulate and thank Katrina for her outstanding contribution.

At the same time, we have welcomed Jodie and Julia into our team and they have fitted well into Ringwood East **Community Bank®** Branch with their pleasant personalities and customer service skills.

So amongst these changes during the past year it was a fantastic result achieved.

To Tony, Sheree, Sharon, Jade, Jodie and Julia together with other staff members previously mentioned above, I thank you for your dedication to the success of the branch during the past year.

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

Apart from achieving the majority of our targets for the year, another highlight was the contribution made from members of Maroondah Community Enterprises Ltd (Board members, staff and their family members from both Ringwood East and Heathmont **Community Bank®** branches), who with the Eastern Health Foundation successfully completed the fundraising for the www.coolheads.org.au campaign. This enabled the purchase of two scalp cooling machines to assist with prevention of hair loss during treatment for cancer. This campaign resulted in being awarded the City of Maroondah, 'Community event of the year' announced at the Australia Day Awards.

This was certainly a fantastic achievement and it certainly emphasises our 'point of difference' whereby we not only contribute financially back into the community but physically participate in activities.

To our shareholders and customers, thank you for your support during the past year.

With the commencement of a new financial year, several staffing changes have been made to better meet our customers increasing needs.

This has seen me move into the position of a Mobile Relationship Manager.

This will allow me to develop deeper relationships with our community partners, businesses and individuals by being mobile and flexible at their convenience.

I welcome the opportunity for you to be an advocate for your **Community Bank®** company by referring any friends, family or business associates.

At the same time, I congratulate Jade who has moved into the position of Senior Customer Relationship Manager.

With this revised structure we will continue to meet our customers' changing needs.



Mark Challen
Branch Manager

Heathmont Manager's report

For year ending 30 June 2017

Wow, what a year we have had. Firstly I would like to officially introduce myself. I am Annette Parry your new Senior Customer Relationship Manager for your Heathmont **Community Bank®** Branch. It is with great enthusiasm I have stepped up into this role after being with the Maroondah Community Enterprise Limited for the past 10 years. With the support of the great group of people I work with, who have also stepped up one way or another, they make our branch run efficiently and productively. Every day, based on all your individual needs, they go outside of the box to give all our customers excellent service. This make them best to none in my eyes. So thanks to Faye, our Customer Relationship Officer, Ann our Senior Customer Service Officer, and our Customer Service Officers Toni, Angela and Michelle for a great year. We welcome our newest staff member Adam, who has taken on the new role as Mobile Relationship Manager. If you are unable to get into the branch we can now come out to you.

Throughout the year we have successfully relocated our branch from 143 Canterbury Road to 172 Canterbury Road. We are now operating out of a more open and inviting premises. The move has shown the resilience, in a time of change, of both staff and customers alike. The feedback is that this was the best thing we have done since opening our doors in Heathmont, as the new layout is relaxed and a place people are happy to come to, sit, chat and do their banking business.

Once our big relocation was completed and we had settled in, our impact on the community was rather surprising as it is constantly bringing in new foot traffic, with locals who didn't even realise that we had been in Heathmont for the past seven years or even what we contribute back to our community through local clubs and groups. This is all because of our customers doing their banking with us.

It is now becoming obvious to everyone that we are now becoming a big player within the Heathmont community. We are seeing more and more people come to us now due to referrals from our existing customers, who are walking advocates for us.

So next time you are talking to your family, friends, neighbours or work colleges, remember why you bank with us, why our values match your values and that every new customer account we open helps us to give more back to our community.

Thank you to everyone involved; staff, customers and our families who help us achieve our best every day to do what we do best.

I look forward to seeing you all soon at the Heathmont **Community Bank®** Branch.



Annette Parry
Branch Manager

Directors' report

For the financial year ended 30 June 2017

Your directors submit the financial statements of the company for the financial year ended 30 June 2017.

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 his own Business Advisory company located in Mooroolbark working with small to medium sized businesses, not for profit organisations, sporting clubs and local government. Previously Chris worked in the media industry managing the operations at production facilities and major capital projects. Chris is involved in local football and sporting clubs.

Special responsibilities: Chair of Nominations Committee

Interest in shares: 500

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

Anthony Morris Hart

Director

Occupation: Company Director

Qualifications, experience and expertise: Tony currently operates a cafe business. His previous experience includes a senior position with National Australia Bank for over 30 years, running his own baking franchise 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

Directors' report (continued)

Directors (continued)

Craig John Broadbent

Director

Occupation: Company Director

Qualifications, experience and expertise: Craig is an experienced Senior executive with AICD, finance and technology qualifications. 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: None

Interest in shares: Nil

Arthur Michael Corcoris

Director

Occupation: Supermarket Manager

Qualifications, experience and expertise: Arthur was one of the founding director's of the company and has been involved in the local community for over 37 years through ownership of supermarket businesses. He has also served on a number of local community boards.

Special responsibilities: Major Projects and Special Committee

Interest in shares: 40,002

Janet Ruth McGannon

Director

Occupation: Management Consultant

Qualifications, experience and expertise: Janet has been a Ringwood East resident for over 20 years. She has been a management consultant with her own business for more than 13 years, with extensive experience in working with Government in human resources, industrial relations and organisation development.

Special responsibilities: Chair of HR Committee

Interest in shares: 10,002

Matthew Mark Cannon

Treasurer and Secretary (Appointed 9 March 2017)

Occupation: Certified Practising Accountant

Qualifications, experience and expertise: Matthew is a Certified Practising Account, Registered Tax Agent and holds a Masters in Applied Finance. He has held senior finance positions within listed corporate companies and also has experience in business service advisory in the small and medium business services industry.

Special responsibilities: Chair of Finance Committee & Treasurer

Interest in shares: Nil

Neville Keith Walker

Treasurer and Secretary (Resigned 9 March 2017)

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

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' report (continued)

Company Secretary

The company secretary is Matthew Mark Cannon. Matthew was appointed to the position of secretary on 9 March 2017 following the resignation of Neville Walker.

Mr Cannon is a Certified Practising Accountant, Registered Tax Agent and holds a Masters of Applied Finance. Matthew is a director of an accountancy practice located in Ringwood East and for 5 years prior to that he held senior finance positions at listed companies and held various business services advisory roles in accounting practises in the small and medium business services industry.

Neville 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 in Australia and Overseas.

Principal Activities

The principal activities of the company during the financial year were 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 2017 \$	Year ended 30 June 2016 \$
700,745	199,398

Dividends

	Year ended 30 June 2017	
	Cents	\$
Dividends paid in the year:		
- Normal Dividend	4	72,325
- Special Dividend	2	36,162
Total Dividend Paid	6	108,487

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Directors' report (continued)

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:

	Committee Meetings Attended							
	Board Meetings Attended		Finance		Human Resources		Marketing & Sponsorship	
	A	B	A	B	A	B	A	B
Stuart Robert Greig	12	11	3	3	10	6	11	11
Christopher Henry Monaghan	12	9	-	-	-	-	-	-
William Pirie Sutherland	12	12	3	3	-	-	11	11
Anthony Morris Hart	12	11	-	-	10	6	-	-
Craig John Broadbent	12	6	-	-	-	-	-	-
Arthur Michael Corcoris	12	5	-	-	-	-	-	-
Janet Ruth McGannon	12	10	-	-	10	6	-	-
Matthew Mark Cannon*	5	4	1	1	-	-	-	-
Neville Keith Walker**	7	7	2	2	-	-	-	-

A - eligible to attend * - (Appointed 9 March 2017)

B - number attended ** - (Resigned 9 March 2017)

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.

Directors' report (continued)

Non audit services (continued)

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

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

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

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 22 September 2017.



**Stuart Robert Greig,
Chairman**

Auditor's independence declaration



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 2017, I declare that, to the best of my knowledge and belief, there have been:

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

A handwritten signature of Andrew Frewin Stewart.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 22 September 2017

A handwritten signature of David Hutchings.

David Hutchings
Lead Auditor

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue from ordinary activities	4	2,122,783	2,053,415
Gain on the sale of land and buildings	4	601,905	-
Employee benefits expense		(1,106,095)	(1,073,560)
Charitable donations, sponsorship, advertising and promotion		(66,998)	(137,248)
Occupancy and associated costs		(174,950)	(110,681)
Systems costs		(50,811)	(38,798)
Depreciation and amortisation expense	5	(92,583)	(85,415)
Finance costs	5	(20,418)	(56,919)
General administration expenses		(321,888)	(302,821)
Profit before income tax expense		890,945	247,973
Income tax expense	6	(190,200)	(48,575)
Profit after income tax expense		700,745	199,398
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		700,745	199,398
Earnings per share		¢	¢
Basic earnings per share	23	38.76	11.03

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2017

	Notes	2017	2016
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,029,466	690,012
Trade and other receivables	8	283,190	255,685
Total Current Assets		1,312,656	945,697
Non-Current Assets			
Property, plant and equipment	9	1,212,791	1,936,899
Intangible assets	10	43,444	71,031
Deferred tax asset	11	73,210	136,599
Total Non-Current Assets		1,329,445	2,144,529
Total Assets		2,642,101	3,090,226
LIABILITIES			
Current Liabilities			
Trade and other payables	12	82,200	101,540
Current tax liabilities	11	75,533	32,031
Borrowings	13	-	148,860
Provisions	14	84,101	94,307
Total Current Liabilities		241,834	376,738
Non-Current Liabilities			
Borrowings	13	-	909,049
Provisions	14	21,036	17,466
Total Non-Current Liabilities		21,036	926,515
Total Liabilities		262,870	1,303,253
Net Assets		2,379,231	1,786,973
Equity			
Issued capital	15	1,073,286	1,073,286
Retained earnings	16	1,305,945	713,687
Total Equity		2,379,231	1,786,973

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2017

	Issued capital \$	Retained earnings \$	Total equity \$
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
Balance at 1 July 2016	1,073,286	713,687	1,786,973
Total comprehensive income for the year	-	700,745	700,745
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(108,487)	(108,487)
Balance at 30 June 2017	1,073,286	1,305,945	2,379,231

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017	2016
		\$	\$
Cash flows from operating activities			
Receipts from customers		2,453,387	2,106,607
Payments to suppliers and employees		(2,140,295)	(1,779,910)
Interest received		12,599	11,201
Rent received		11,297	10,974
interest paid		(20,418)	(56,919)
Income taxes paid		(83,308)	(48,220)
Net cash provided by operating activities	17	233,262	243,733
Cash flows from investing activities			
Receipts on from the disposal of property, plant and equipment		1,472,224	-
Payments for property, plant and equipment		(211,637)	(5,289)
Loan repayments received		12,000	16,000
Net cash provided by investing activities		1,272,587	10,711
Cash flows from financing activities			
Repayment of borrowings		(1,057,908)	(91,504)
Dividends paid		(108,487)	(72,325)
Net cash used in financing activities		(1,166,395)	(163,829)
Net increase in cash held		339,454	90,615
Cash and cash equivalents at the beginning of the financial year		690,012	599,397
Cash and cash equivalents at the end of the financial year	7(a)	1,029,466	690,012

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2017

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

There are a number of amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2016, and are therefore relevant for the current financial year.

None of these amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

There are also a number of accounting standards and interpretations issued by the Australian Accounting Standards Board (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 2016. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

Only AASB 16 Leases, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. This revised standard will require the branch leases to be capitalised.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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.

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 and assistance in relation to:

- 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

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

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.

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 (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.

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.

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo and Adelaide Bank Limited has also made discretionary financial payments to the company. These are referred to by Bendigo and Adelaide Bank Limited as a "Market Development Fund" (MDF).

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and donations.

It is for the board to decide how to use the MDF.

The payments from Bendigo and Adelaide Bank Limited are discretionary and Bendigo and Adelaide Bank Limited may change the amount or stop making them at any time.

Ability to change financial return

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

- buildings 40 years
- leasehold improvements 10 - 40 years
- plant and equipment 2.5 - 40 years
- motor vehicles 3 - 5 years

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

i) 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 or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

n) Contributed equity

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

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.

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

(i) Market risk

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

(ii) Price risk

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

The company is not exposed to commodity price risk.

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(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 2017 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.

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

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

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

Taxation

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

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

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)

	2017	2016
	\$	\$

Note 4. Revenue from ordinary activities

Operating activities:

- gross margin	1,669,723	1,308,614
- services commissions	205,350	428,890
- fee income	171,840	184,395
- market development fund	38,333	100,000
Total revenue from operating activities	2,085,247	2,021,899
Non-operating activities:		
- interest received	12,983	11,421
- rental revenue	11,297	10,974
- profit on sale of non-current assets	601,905	-
- other revenue	13,256	9,121
Total revenue from non-operating activities	639,441	31,516
Total revenues from ordinary activities	2,724,688	2,053,415

Note 5. Expenses

Depreciation of non-current assets:

- buildings	24,925	36,613
- property, plant and equipment	17,269	19,292
- leasehold improvements	20,859	-
- motor vehicles	149	150

Amortisation of non-current assets:

- borrowing costs	1,794	1,773
- franchise agreement	4,598	4,598
- franchise renewal fee	22,989	22,989
	92,583	85,415

Finance costs:

- interest paid	20,418	56,919
Bad debts	1,145	10,441
Loss on disposal of non-current assets	2,224	-

Notes to the financial statements (continued)

	2017 \$	2016 \$
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Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	193,694	84,006
- Recoupment of prior year tax losses	(66,883)	-
- Movement in deferred tax	52,006	(35,431)
- Adjustment to deferred tax to reflect change to tax rate in future periods	11,383	-
	190,200	48,575

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

Operating profit	890,945	247,973
Prima facie tax on profit from ordinary activities at 27.5% (2016: 30.0%)	245,010	74,392
Add tax effect of:		
- non-deductible expenses	690	546
- timing difference expenses	(52,006)	9,068
- capital losses utilised	(66,883)	-
	126,811	84,006
Movement in deferred tax	52,006	(35,431)
Adjustment to deferred tax to reflect change of tax rate in future periods	11,383	-
	190,200	48,575

Note 7. Cash and cash equivalents

Cash at bank and on hand	243,296	398,188
Term deposits	786,170	291,824
	1,029,466	690,012

Note 7.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Cash at bank and on hand	243,296	398,188
Term deposits	786,170	291,824
	1,029,466	690,012

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 8. Trade and other receivables		
Trade receivables	182,794	173,004
Prepayments	77,791	69,016
Other receivables and accruals	22,605	4,765
Loans	-	8,900
	283,190	255,685

Note 9. Property, plant and equipment

Land and buildings		
Freehold land		
At cost	285,000	500,000
Buildings		
At cost	728,953	1,464,532
Less accumulated depreciation	(79,789)	(135,124)
	649,164	1,329,408
Leasehold improvements		
At cost	402,427	383,069
Less accumulated depreciation	(217,910)	(383,069)
	184,517	-
Plant and equipment		
At cost	243,207	236,708
Less accumulated depreciation	(149,181)	(129,450)
	94,026	107,258
Motor vehicles		
At cost	98,631	98,631
Less accumulated depreciation	(98,548)	(98,398)
	84	233
Total written down amount	1,212,791	1,936,899

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 9. Property, plant and equipment (continued)		
Movements in carrying amounts:		
Land		
Carrying amount at beginning	500,000	500,000
Additions	-	-
Disposals	(215,000)	-
Less: depreciation expense	-	-
Carrying amount at end	285,000	500,000
Buildings		
Carrying amount at beginning	1,329,408	1,366,021
Additions	-	-
Disposals	(655,319)	-
Less: depreciation expense	(24,925)	(36,613)
Carrying amount at end	649,164	1,329,408
Leasehold improvements		
Carrying amount at beginning	-	-
Additions	205,376	-
Disposals	-	-
Less: depreciation expense	(20,859)	-
Carrying amount at end	184,517	-
Plant and equipment		
Carrying amount at beginning	107,258	101,725
Additions	6,261	24,825
Disposals	(2,224)	-
Less: depreciation expense	(17,269)	(19,292)
Carrying amount at end	94,026	107,258
Motor vehicles		
Carrying amount at beginning	233	383
Additions	-	-
Disposals	-	-
Less: depreciation expense	(149)	(150)
Carrying amount at end	84	233
Total written down amount	1,212,791	1,936,899

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 10. Intangible assets		
Franchise fee		
At cost	34,278	34,278
Less: accumulated amortisation	(27,037)	(22,439)
	7,241	11,839
Renewal processing fee		
At cost	191,385	191,385
Less: accumulated amortisation	(155,182)	(132,193)
	36,203	59,192
Total written down amount	43,444	71,031

Note 11. Tax

Income tax payable	75,533	32,031
Non-Current:		
Deferred tax assets		
- employee provisions	28,913	33,532
- property, plant and equipment	44,861	103,505
- superannuation payable	48	124
	73,822	137,161
Deferred tax liability		
- property, plant and equipment	612	562
	612	562
Net deferred tax asset	73,210	136,599
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	63,389	35,431

Note 12. Trade and other payables

Current:		
Trade creditors	35,309	53,434
Other creditors and accruals	46,891	48,106
	82,200	101,540

Notes to the financial statements (continued)

	2017 \$	2016 \$
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Note 13. Borrowings

Current:

Bank loans	-	148,860
	-	148,860

Non-Current:

Bank loans	-	909,049
	-	909,049

Bank loans were all paid out on 10/11/2016, following the settlement of property. Interest was recognised at an average rate of 5.78% (2016: 5.16%). The loans are secured by a fixed and floating charge over the company's assets.

Note 14. Provisions

Current:

Provision for annual leave	44,066	36,992
Provision for long service leave	40,035	57,315
	84,101	94,307

Non-Current:

Provision for long service leave	21,036	17,466
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Note 15. Contributed equity

1,808,118 ordinary shares fully paid (2016: 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.

Notes to the financial statements (continued)

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 410 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.

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 16. Retained earnings		
Balance at the beginning of the financial year	713,687	586,614
Net profit from ordinary activities after income tax	700,745	199,398
Dividends paid or provided for	(108,487)	(72,325)
Balance at the end of the financial year	1,305,945	713,687

Note 17. Statement of cash flows

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

Profit from ordinary activities after income tax	700,745	199,398
Non cash items:		
- profit on sale of buildings	(601,905)	-
- depreciation	63,202	56,055
- amortisation	29,381	29,360
- loss on disposal of non-current assets	2,224	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(11,833)	(67,263)
- (increase)/decrease in other assets	55,014	(31,676)
- increase/(decrease) in payables	(42,018)	7,490
- increase/(decrease) in provisions	(5,051)	18,338
- increase/(decrease) in current tax liabilities	43,503	32,031
Net cash flows provided by operating activities	233,262	243,733

Note 18. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments:

- not later than 12 months	107,125	28,677
- between 12 months and 5 years	369,666	-
	476,791	28,677

The Heathmont lease is a non-cancellable lease with a five-year term with the option of two further terms of five years. The company entered into the lease on 1 September 2016, with rent payable monthly in advance.

The Ringwood East lease is a non-cancellable lease with a five-year term with the option of two further terms of five years. The company entered into the lease on 10 November 2016, with rent payable monthly in advance.

Notes to the financial statements (continued)

	2017 \$	2016 \$
--	------------	------------

Note 19. Auditor's remuneration

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

- audit and review services	6,400	6,400
- non audit services	800	725
	7,200	7,125

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
 William Pirie Sutherland
 Anthony Morris Hart
 Craig John Broadbent
 Arthur Michael Corcoris
 Janet Ruth McGannon
 Matthew Mark Cannon (Appointed 9 March 2017)
 Neville Keith Walker (Resigned 9 March 2017)

	2017 \$	2016 \$
--	------------	------------

Transactions with Key Management Personnel:

Nammin Pty Ltd, a company associated with Stuart Robert Greig, supplied services or goods to the value of:	12,707	10,000
Focus Financial Group Pty Ltd, a company associated with Matthew Mark Cannon, supplied services or goods to the value of:	13,985	-
MGN Consulting Pty Ltd, a company associated with Janet Ruth McGannon, supplied services to the value of:	773	3,793
Lighthouse Cleaning, a company associated with Craig John Broadbent, supplied services or goods to the value of:	16,537	13,902
Pauls IGA, a company associated with Arthur Michael Corcoris, supplied services or goods to the value of:	4,315	3,803

	2017	2016
--	------	------

Directors' Shareholdings

Stuart Robert Greig	6,002	6,002
Christopher Henry Monaghan	500	500
William Pirie Sutherland	25,502	25,002
Anthony Morris Hart	1,000	1,000
Craig John Broadbent	-	-

Notes to the financial statements (continued)

Note 20. Director and related party disclosures (continued)

	2017	2016
Directors' Shareholdings (continued)		
Arthur Michael Corcoris	40,002	40,002
Janet Ruth McGannon	10,002	10,002
Matthew Mark Cannon (Appointed 9 March 2017)	-	-
Neville Keith Walker (Resigned 9 March 2017)	20,002	20,002

There was no movement in directors' shareholdings during the year.

	2017	2016
	\$	\$

Note 21. Dividends paid or provided

a. Dividends paid during the year

2016 year dividend		
100% (2016: 100%) franked dividend - 4 cents (2016: 4 cents) per share	72,325	72,325
Special dividend		
100% (2016: n/a) franked dividend - 2 cents (2016: n/a) per share	36,162	-

The tax rate at which dividends have been franked is 27.5% (2016: 30%).

b. Franking account balance

Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	635,530	593,372
- franking credits that will arise from payment of income tax as at the end of the financial year	47,308	16,935
- 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:	682,838	610,307
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	682,838	610,307

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 22. Key management personnel disclosures		
The directors received remuneration including superannuation, as follows:		
Stuart Robert Greig	13,500	12,500
Christopher Henry Monaghan	1,243	3,347
William Pirie Sutherland	1,243	1,243
Craig John Broadbent	-	1,243
Anthony Morris Hart	1,243	-
Janet Ruth McGannon	3,343	1,700
Neville Keith Walker	-	3,563
Matthew Mark Cannon	3,043	-
	23,615	23,596

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 2017 (2016: \$nil).

	2017 \$	2016 \$
	Number	Number
Note 23. Earnings per share		
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share		
	700,745	199,398
(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

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

Note 25. Contingent liabilities and contingent assets

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

Notes to the financial statements (continued)

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	Principal Place of Business
62 Railway Avenue Ringwood East, VIC, 3135	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.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 %	2016 %
Financial assets												
Cash and cash equivalents	243,296	398,188	786,170	291,824	-	-	-	-	-	-	1.51	1.53
Receivables	-	-	-	-	-	-	-	-	182,794	173,004	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	1,057,908	-	-	-	-	-	-	-	-	5.78	5.16
Payables	-	-	-	-	-	-	-	-	35,308	53,434	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Notes to the financial statements (continued)

Note 28. Financial instruments (continued)

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 2017, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2017 \$	2016 \$
<hr/>		
Change in profit/(loss)		
Increase in interest rate by 1%	10,295	(3,679)
Decrease in interest rate by 1%	(10,295)	3,679
<hr/>		
Change in equity		
Increase in interest rate by 1%	10,295	(3,679)
Decrease in interest rate by 1%	(10,295)	3,679

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 2017 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



Stuart Robert Greig,
Chairman

Signed on the 22nd of September 2017.

Independent audit report



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

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Maroondah 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 2017 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards.

What we have audited

Maroondah Community Enterprises Limited's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Balance sheet
- ✓ Statement of changes in equity
- ✓ Statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the entity.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

Independent audit report (continued)

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available 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 we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report so that it 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 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 cease operations, or have no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 22 September 2017



David Hutchings
Lead Auditor

Ringwood East **Community Bank®** Branch
62 Railway Avenue, Ringwood East VIC 3135
Phone: (03) 9870 3655 Fax: (03) 9870 3688
www.bendigobank.com.au/ringwood-east

Heathmont **Community Bank®** Branch
172 Canterbury Road, Heathmont VIC 3135
Phone: (03) 9729 4007 Fax: (03) 9738 1641
www.bendigobank.com.au/heathmont

Franchisee: Maroondah Community Enterprises Limited
62 Railway Avenue, Ringwood East VIC 3135
Phone: (03) 9870 3655 Fax: (03) 9870 3688
ABN: 91 103 341 993
www.maroondahcommunity.com.au

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