2018 Annual Report

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 2018

It’s been a pleasure being the Chairman of MCEL Pty Ltd now for 17 years. This year we celebrated 15 years of service to the community of Ringwood East and Heathmont and Bendigo celebrated 20 years of community banking around Australia.

When you look at the statistics, there has been over 320 Bendigo **Community Bank®** branches open in 20 years whilst all the top four banks are closing the doors. Over $200 million has been invested back into local communities around the country. The **Community Bank®** model employs over 1,300 local people with over 1,500 Directors on Boards. The model has proven the test of time and is now considered Australia’s fifth largest bank. Bendigo took out the best business bank again this year, now five years in row. It also was recognised as the most trusted brand coming in at number three and the only bank in the top 10.

Bendigo are now a true competitor in the banking business. We can offer the full range of services like the majors with very competitive rates. One of the features of the model is that our staff provide a fantastic customer experience when they walk in the front door.

I say each year that this year has been a very busy year. The royal commission has seen an increase in customer enquiry moving away from the major banks as consumers realise that lack of trust with the majors. Bendigo Bank have avoided being in the headlines. Bendigo offer competitive rates and great services whilst our profits stay in benefiting our local community.

We have had a few staffing challenges this year with Annette Parry and David Drkvic both moving on to other roles within Bendigo Bank. We saw the CBA at Heathmont close doors which we thought would have resulted in increased business however business has been a little slower than expected.

On 14 July 2017, we had Jade Mainwarring take over as the Senior Relationship Manager of Ringwood East and promoted to full Branch Manager a few months later with the Board recognising her people, organisational and management skills along with true passion for our customers and community. Like any business our staff are our greatest assets. Our staff are continually being upskilled with their product knowledge. I would like to thank all the staff for their efforts this year which saw both branches reaching most of their KPI’s. Ringwood East also won an award this year at the regional awards for insurance knowledge which is now two years in row.

The staffing restructure saw our two mobile lenders on the roads enabling the business to expand into different markets. Bendigo Bank developed agency agreements that will enable businesses to receive a small payment for the referrals. The mobile lenders have expanded their contacts with a range of different referral sources such as accountants, real estate agents and solicitors which are referring business. The lenders are happy to visit you at home or at work or after hours. Mark Challen is based at Ringwood East. Adam Simpson is based at Heathmont.

The community hub is now four years old and has paid dividends. The room is used over 30 times a month, we have seen increased business from our community groups, we have seen new business from local customers who have used the coffee shop as well. Anne Hoare (financial planner of the year) is our Bendigo Bank financial planner who based in the community hub, it’s great to have her expertise next door for all our financial planning and wealth products providing added support to our customers.

The Branch Managers’ report will highlight the banking performances for the last 12 months so please read Jade’s report.

Other highlights have seen our relationship with Maroondah Hospital continue. The new $10 million breast cancer unit has been opened and our $145,000 contribution for Eastern Health to purchase two scalp cooling machines are certainly being used and making a difference. These machines will help prevent women from losing their hair during chemotherapy.

We saw the production of a new video which you watched at the start of the meeting highlighting our point of difference as a Bendigo **Community Bank®** branch along with local video we created “See the change”.

Chairman's report (continued)

I would like to acknowledge the hard work and efforts of the staff, the Board and Sub Committees. I would like to congratulate Anne and Mark on 15 years of service with Bendigo Bank. I would like to thank Jan McGannon as Chair of HR, Jan has decided to officially retire from the Board and we wish her and Bill all the very best in the retirement. The Board would also like to acknowledge Alex Knipping's contribution. Alex decided to stand down from his role as Board Executive Officer on 30 June 2018 so he can spend more time with his wife and family. I would also like to welcome Rob Steane to the Board after his first full year. I would also like to acknowledge Kate Grinter and Rhonda Gailey for their efforts on the HR committee this year. 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 and Adelaide Bank Limited. We are fortunate to have these guys as our partners representing the 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

Manager's report

For year ending 30 June 2018

This last financial year has provided many reasons to celebrate for both the Ringwood East and Heathmont **Community Bank**® branches. Both businesses achieved positive overall growth, despite the challenges of high targets, Royal Commissions and an evolving branch structure. Ringwood East hit $12.2 million and Heathmont $7.1 million in total business growth.

We introduced Mobile Relationship Managers – Mark Challen and Adam Simpson – to focus on personalised in home and out of hours lending appointments and business development, created a focus on agile planning allowing us to move with our customers, and the two branches now sit at over $350 million in banking business, delivering over $2.4 million back the community by way of sponsorships, grants and investments.

The next financial year brings us another new set of challenges as we set ourselves up for another year of strong growth targets. We will work cohesively across both branches to continue the momentum. We will explore new community partnerships with the aim to provide greater benefits back to our community and assist us in our growth targets, and we will continue to foster the existing partnerships with have with 131 clubs, schools, charities and not for profit organisations within the Maroondah community.

On a personal note, in my three years at the Ringwood East and Heathmont **Community Bank**® branches, I've come to realise that the **Community Bank**® model is one that should be celebrated. The people I have been privileged to meet in our community that go above and beyond every single day never cease to amaze me, and I find myself asking "how can we give more?". The answer is simple – grow. But to do that, we need the support of all of our community partners, and I encourage members of these organisations and our community to choose Ringwood East and Heathmont **Community Bank**® branches as their bank of choice.

In my first year as Manager, I have witnessed a group of highly skilled, passionate and motivated individuals deliver some exceptional results in what has been a challenging year in the branch environment and the banking industry. Sharon, Sheree, Jodie, Julia, Sheridan, Faye, Tony, Toni, Angela, Ann, Mark and Adam are committed and passionate not only about the company they work for, but their community they work and live, their customers, and are the heart and soul of these two branches.

Finally, I would like to say thank you once again to all the staff, Directors, Region and customers for their support over the last year, and I look forward to seeing what the next 12 months brings!

Thank you

Jade Mainwaring
Branch Manager
Ringwood East & Heathmont Community Bank® branches

Directors' report

For the financial year ended 30 June 2018

Your directors submit the financial statements of the company for the financial year ended 30 June 2018.

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: Real Estate Agent

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. Stuart has worked in the real estate & building industry for 30 years and is on the sponsorship committee of Norwood Football Club.

Special responsibilities: Chair of Special Projects Committee, Marketing Committee and HR Committee

Interest in shares: 6,002

Christopher Henry Monaghan

Deputy Chairman

Occupation: Circulation Manager

Qualifications, experience and expertise: Chris has extensive experience in the media industry managing Operations, Sales and Distribution Divisions. He has managed large scale projects and large teams of people to achieve positive results. For many years Chris also ran a Management Consultancy business working with state and local Government. Locally Chris has worked with MCEL to assist in establishing the Heathmont branch and continues to be involved in local sporting clubs.

Special responsibilities: Deputy Chairman and Chair of Nominations Committee

Interest in shares: 500

William Pirie Sutherland

Director

Occupation: Retired

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 holds a degree in Banking (ABIA) and has been involved in both local Lions and Rotary Clubs for 17 years. Current member of the Probus Club, Lilydale.

Special responsibilities: Special Projects and Marketing Committees

Interest in shares: 10,000

Anthony Morris Hart

Director

Occupation: Company Director

Qualifications, experience and expertise: Tony is a Cafe / Restaurant owner for the past 4 years and a Bakers Delight owner in Heathmont for the past 18 years. His previous experience includes a senior position with National Australia Bank for over 30 years. A commissioned officer with the Australian Defence Force, full time and reserve for 15 years. He is currently the Vice President of the Ringwood Chamber of Commerce and a member of Heathmont Lions Club.

Special responsibilities: HR Sub Committee and Nominations Committee

Interest in shares: 1,000

Directors (continued)

Arthur Michael Corcoris

Director

Occupation: Manager / Director

Qualifications, experience and expertise: Arthur was one of the founding director's of the company and has been involved in the local community of Ringwood for over 41 years and Heathmont for 8 years through ownership of supermarket businesses. Arthur is the proprietor of the Local IGA Supermarkets in Ringwood East and Heathmont, overseeing the running of the businesses to supply to the local community the best products and especially locally produced and manufactured goods at the best price.

Special responsibilities: Major Developments 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.

Former directorships: TLC Support Inc

Special responsibilities: Chair of HR Committee

Interest in shares: 10,002

Matthew Mark Cannon

Treasurer and Secretary

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

Robert Lindsay Steane

Director (Appointed 3 October 2017)

Occupation: Liquor Licensing Consultant

Qualifications, experience and expertise: Current Councillor for the City of Maroondah, elected 2008. Current Chair of Council's Community Safety Committee and Deputy Chair of National Local Government Safe Cities Network. Former Mayor 2011 – 2012. Former member of Council's Audit Advisory Committee, former member of School Council at Melba Collage, former member of School Council at Croydon Hills Primary School. Former Police Sergeant (Victoria Police 1981 – 1997).

Special Responsibilities: NIL

Interest in Shares: 2,000

Directors (continued)

Craig John Broadbent

Director (Resigned 15 November 2017)

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

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 Matthew Mark Cannon. Matthew was appointed to the position of secretary on 9 March 2017.

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.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2018 $	Year ended 30 June 2017 $
150,897	700,745

Dividends

	Year ended 30 June 2018	
	Cents	$
Dividends paid in the year:		
- Normal Dividend	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

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 19 and 21 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.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended					
			Finance		Human Resources		Marketing & Sponsorship	
	A	B	A	B	A	B	A	B
Stuart Robert Greig	10	10	3	3	8	8	8	8
Christopher Henry Monaghan	10	9	-	-	-	-	-	-
William Pirie Sutherland	10	7	3	2	-	-	8	8
Anthony Morris Hart	10	9	-	-	8	6	-	-
Arthur Michael Corcoris	10	7	-	-	-	-	-	-
Janet Ruth McGannon	10	8	-	-	8	7	-	-
Matthew Mark Cannon	10	9	3	3	-	-	-	-
Robert Lindsay Steane*	7	6	-	-	-	-	5	5
Craig John Broadbent**	4	3	-	-	-	-	-	-

A - eligible to attend
B - number attended

* - (Appointed 3 October 2017)
** - (Resigned 15 November 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.

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 10.

Signed in accordance with a resolution of the board of directors at Ringwood East, Victoria on 22 September 2018.

Stuart Robert Greig,
Chairman

Auditor's independence declaration

Partners in success

Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

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 2018, 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: 22 September 2018

David Hutchings
Lead Auditor

Taxation | Audit | Business Services

Financial statements

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

	Notes	2018 $	2017 $
Revenue from ordinary activities	4	2,230,374	2,122,783
Gain on the sale of land and buildings	4	-	601,905
Employee benefits expense		(1,220,899)	(1,106,095)
Charitable donations, sponsorship, advertising and promotion		(132,961)	(66,998)
Occupancy and associated costs		(184,974)	(174,950)
Systems costs		(62,532)	(50,811)
Depreciation and amortisation expense	5	(111,887)	(92,583)
Finance costs	5	-	(20,418)
General administration expenses		(306,184)	(321,888)
profit before income tax expense		**210,937**	**890,945**
income tax expense	6	(60,040)	(190,200)
profit after income tax expense		**150,897**	**700,745**
total comprehensive income for the year attributable to the ordinary shareholders of the company:		**150,897**	**700,745**
Earnings per share		**¢**	**¢**
Basic earnings per share	22	8.35	38.76

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2018

	Notes	2018 $	2017 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,087,706	1,029,466
Trade and other receivables	8	277,438	283,190
Total Current Assets		**1,365,144**	**1,312,656**
Non-Current Assets			
Property, plant and equipment	9	1,225,176	1,212,791
Intangible assets	10	16,274	43,444
Deferred tax asset	11	92,560	73,210
Total Non-Current Assets		**1,334,010**	**1,329,445**
Total Assets		**2,699,154**	**2,642,101**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	79,359	82,200
Current tax liabilities	11	24,750	75,533
Provisions	13	125,512	84,101
Total Current Liabilities		**229,621**	**241,834**
Non-Current Liabilities			
Provisions	13	11,729	21,036
Total Non-Current Liabilities		**11,729**	**21,036**
Total Liabilities		**241,350**	**262,870**
Net Assets		**2,457,804**	**2,379,231**
Equity			
Issued capital	14	1,073,286	1,073,286
Retained earnings	15	1,384,518	1,305,945
Total Equity		**2,457,804**	**2,379,231**

The accompanying notes form part of these financial statements.

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

	Note	Issued capital $	Retained earnings $	Total equity $
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	20	-	(108,487)	(108,487)
Balance at 30 June 2017		**1,073,286**	**1,305,945**	**2,379,231**
Balance at 1 July 2017		1,073,286	1,305,945	2,379,231
Total comprehensive income for the year		-	150,897	150,897
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	20	-	(72,324)	(72,324)
Balance at 30 June 2018		**1,073,286**	**1,384,518**	**2,457,804**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		2,416,909	2,453,387
Payments to suppliers and employees		(2,083,234)	(2,140,295)
Interest received		15,969	12,599
Rent received		11,297	11,297
interest paid		-	(20,418)
Income taxes paid		(130,173)	(83,308)
Net cash provided by operating activities	**16**	**230,768**	**233,262**
Cash flows from investing activities			
Receipts on from the disposal of property, plant and equipment		-	1,472,224
Payments for property, plant and equipment		(97,103)	(211,637)
Loan repayments received		(3,100)	12,000
Net cash provided by / (used in) investing activities		**(100,203)**	**1,272,587**
Cash flows from financing activities			
Repayment of borrowings		-	(1,057,908)
Dividends paid	20	(72,325)	(108,487)
Net cash used in financing activities		**(72,325)**	**(1,166,395)**
Net increase in cash held		**58,240**	**339,454**
Cash and cash equivalents at the beginning of the financial year		1,029,466	690,012
Cash and cash equivalents at the end of the financial year	**7(a)**	**1,087,706**	**1,029,466**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2018

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 Standards Board (AASB) 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 which 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 AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2017, and are therefore relevant for the current financial year.

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

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

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

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating leases of its branches. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to $369,666, on an undiscounted basis (see Note 17).

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

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, Victoria.

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

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.

Note 1. Summary of significant accounting policies (continued)

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.

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).

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Discretionary financial contributions (continued)

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.

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 unrefundable).

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 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 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 gain from a bargain purchase.

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.

Note 1. Summary of significant accounting policies (continued)

g) Property, plant and equipment (continued)

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 5 - 40 years
- plant and equipment 2 - 40 years
- motor vehicles 6 - 12 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. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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.

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Classification and subsequent measurement (continued)

(iii) Financial liabilities

Financial liabilities include borrowings, trade and other payables and non-derivative financial liabilities (excluding financial guarantees). They are subsequently measured at amortised cost using the effective interest rate method.

Impairment

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

l) Leases

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

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

m) Provisions

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

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

n) Issued capital

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.

(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 2018 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 carried-forward 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 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.

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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.

	2018 $	**2017 $**

Note 4. Revenue from ordinary activities

Operating activities:		
- gross margin	1,834,793	1,669,723
- services commissions	163,474	205,350
- fee income	157,348	171,840
- market development fund	35,000	38,333
total revenue from operating activities	**2,190,614**	**2,085,247**
Non-operating activities:		
- interest received	14,523	12,983
- rental revenue	11,297	11,297
- profit on sale of non-current assets	-	601,905
- other revenue	13,940	13,256
Total revenue from non-operating activities	**39,760**	**639,441**
Total revenues from ordinary activities	**2,230,374**	**2,724,688**

Note 5. Expenses

Depreciation of non-current assets:		
- buildings	18,224	24,925
- property, plant and equipment	34,205	17,269
- leasehold improvements	31,772	20,859
- motor vehicles	516	149
Amortisation of non-current assets:		
- borrowing costs	-	1,794
- franchise agreement	4,530	4,598
- franchise renewal fee	22,640	22,989
	111,887	**92,583**

Notes to the financial statements (continued)

	2018 $	2017 $
Note 5. Expenses (continued)		
Finance costs:		
- interest paid	**-**	**20,418**
Bad Debts	**3,288**	**1,145**
Loss on disposal of non-current assets	**-**	**2,224**

Note 6. Income tax expense

The components of tax expense comprise:		
- Current tax	79,390	193,694
- Recoupment of prior year tax losses	-	(66,883)
- Movement in deferred tax	(19,350)	52,006
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	11,383
	60,040	**190,200**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	210,937	890,945
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	58,008	245,010
Add tax effect of:		
- non-deductible expenses	1,811	690
- timing difference expenses	17,096	(52,006)
- capital losses utilised	-	(66,883)
	76,915	**126,811**
Movement in deferred tax	(16,875)	52,006
Adjustment to deferred tax to reflect change of tax rate in future periods	-	11,383
	60,040	**190,200**

Note 7. Cash and cash equivalents

Cash at bank and on hand	276,265	243,296
Term deposits	811,440	786,170
	1,087,706	**1,029,466**
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	276,265	243,296
Term deposits	811,440	786,170
	1,087,706	**1,029,466**

	2018 $	2017 $

Note 8. Trade and other receivables

	2018 $	2017 $
Trade receivables	191,860	182,794
Prepayments	64,419	77,791
Other receivables and accruals	21,159	22,605
	277,438	**283,190**

Note 9. Property, plant and equipment

	2018 $	2017 $
Land and buildings		
Freehold land		
At cost	285,000	285,000
Buildings		
At cost	728,953	728,953
Less accumulated depreciation	(98,013)	(79,789)
	630,940	**649,164**
Leasehold improvements		
At cost	442,723	402,427
Less accumulated depreciation	(249,682)	(217,910)
	193,041	**184,517**
Plant and equipment		
At cost	295,114	243,207
Less accumulated depreciation	(183,386)	(149,181)
	111,728	**94,026**
Motor vehicles		
At cost	103,531	98,631
Less accumulated depreciation	(99,064)	(98,548)
	4,467	**84**
Total written down amount	**1,225,176**	**1,212,790**
Movements in carrying amounts:		
Land		
Carrying amount at beginning	285,000	500,000
Additions	-	-
Disposals	-	(215,000)
Less: depreciation expense	-	-
Carrying amount at end	**285,000**	**285,000**

	2018 $	2017 $
Note 9. Property, plant and equipment (continued)		
Buildings		
Carrying amount at beginning	649,164	1,329,408
Additions	-	-
Disposals	-	(655,319)
Less: depreciation expense	(18,224)	(24,925)
Carrying amount at end	**630,940**	**649,164**
Leasehold improvements		
Carrying amount at beginning	184,517	-
Additions	40,296	205,376
Disposals	-	-
Less: depreciation expense	(31,772)	(20,859)
Carrying amount at end	**193,041**	**184,517**
Plant and equipment		
Carrying amount at beginning	94,026	107,258
Additions	51,907	6,261
Disposals	-	(2,224)
Less: depreciation expense	(34,205)	(17,269)
Carrying amount at end	**111,728**	**94,026**
Motor vehicles		
Carrying amount at beginning	84	233
Additions	4,900	-
Disposals	-	-
Less: depreciation expense	(517)	(149)
Carrying amount at end	**4,467**	**84**
Total written down amount	**1,225,176**	**1,212,791**

Note 10. Intangible assets

Franchise fee		
At cost	34,278	34,278
Less: accumulated amortisation	(31,567)	(27,037)
	2,711	**7,241**

	2018 $	2017 $
Note 10. Intangible assets (continued)		
Renewal processing fee		
At cost	191,385	191,385
Less: accumulated amortisation	(177,822)	(155,182)
	13,563	**36,203**
Total written down amount	**16,274**	**43,444**

Note 11. Tax

Income tax payable	**24,750**	**75,533**
Non-Current:		
Deferred tax assets		
- employee provisions	37,741	28,913
- property, plant and equipment	54,712	44,861
- superannuation payable	107	48
	92,560	**73,822**
Deferred tax liability		
- accruals		
- property, plant and equipment	-	612
	-	**612**
Net deferred tax asset	**92,560**	**73,210**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**(19,350)**	**63,389**

Note 12. Trade and other payables

Current:		
Trade creditors	28,262	35,309
Other creditors and accruals	51,097	46,891
	79,359	**82,200**

	2018 $	2017 $
Note 13. Provisions		
Current:		
Provision for annual leave	60,040	44,066
Provision for long service leave	65,472	40,035
	125,512	**84,101**
Non-Current:		
Provision for long service leave	**11,729**	**21,036**

Note 14. Issued capital

	2018 $	2017 $
1,808,118 ordinary shares fully paid (2017: 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.

(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).

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*.

Note 14. Issued capital (continued)

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 376 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 15. Retained earnings

	2018 $	2017 $
Balance at the beginning of the financial year	1,305,945	713,687
Net profit from ordinary activities after income tax	150,897	700,745
Dividends provided for or paid	(72,324)	(108,487)
Balance at the end of the financial year	**1,384,518**	**1,305,945**

Note 16. Statement of cash flows

	2018 $	2017 $
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	150,897	700,745
Non cash items:		
- profit on sale of buildings	-	(601,905)
- depreciation	84,717	63,202
- amortisation	27,170	29,381
- loss on disposal of non-current assets	-	2,224
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(7,622)	(11,833)
- (increase)/decrease in other assets	13,373	55,014
- increase/(decrease) in payables	(2,239)	(42,018)
- increase/(decrease) in provisions	34,605	(5,051)
- increase/(decrease) in deferred tax assets	(19,350)	-
- increase/(decrease) in current tax liabilities	(50,783)	43,503
Net cash flows provided by operating activities	**230,768**	**233,262**

Note 17. Leases

	2018 $	2017 $
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	110,034	107,125
- between 12 months and 5 years	259,632	369,666
	369,666	**476,791**

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.

	2018 $	2017 $

Note 18. Auditor's remuneration

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

	2018 $	2017 $
- audit and review services	6,400	6,400
- non audit services	745	800
	7,145	**7,200**

Note 19. 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
Arthur Michael Corcoris
Janet Ruth McGannon
Matthew Mark Cannon
Robert Lindsay Steane (Appointed 3rd October 2017)
Craig John Broadbent (Resigned 15th November 2017)

Transactions with Key Management Personnel:

	2018 $	2017 $
Nammin Pty Ltd, a company associated with Stuart Robert Greig, supplied services or goods to the value of:	3,850	12,707
Stuart Grieg, supplied services or goods to the value of:	8,250	-
Focus Financial Group Pty Ltd, a company associated with Matthew Mark Cannon, supplied services or goods to the value of:	17,655	13,985
MGN Consulting Pty Ltd, a company associated with Janet Ruth McGannon, supplied services to the value of:	-	773
Lighthouse Cleaning, a company associated with Craig John Broadbent, supplied services or goods to the value of:	18,959	16,537
Pauls IGA, a company associated with Arthur Michael Corcoris, supplied services or goods to the value of:	4,940	4,315
William Pirie Sutherland, supplied services or goods to the value of:	1,525	-

Note 19. Director and related party disclosures (conitnued)

Directors' shareholdings	2018	2017
Stuart Robert Greig	6,002	6,002
Christopher Henry Monaghan	500	500
William Pirie Sutherland	10,000	25,002
Anthony Morris Hart	1,000	1,000
Arthur Michael Corcoris	40,002	40,002
Janet Ruth McGannon	10,002	10,002
Matthew Mark Cannon	-	-
Robert Lindsay Steane (Appointed 3rd October 2017)	2,000	-
Craig John Broadbent (Resigned 15th November 2017)	-	-

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

Note 20. Dividends provided for or paid

	2018 $	2017 $
a. Dividends paid during the year		
2018 year dividend		
Fully franked dividend - 4 cents (2017: 4 cents) per share	**72,325**	**72,325**
Special dividend		
Fully franked dividend - Nil (2017: 2 cents) per share	**-**	**36,162**
The tax rate at which dividends have been franked is 27.5% (2017: 27.5%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	738,268	635,530
- franking credits that will arise from payment of income tax as at the end of the financial year	11,315	47,308
Franking credits available for future financial reporting periods:	749,583	682,838
- 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	**749,583**	**682,838**

	2018 $	2017 $

Note 21. Key management personnel disclosures

The directors received remuneration including superannuation, as follows:

	2018 $	2017 $
Stuart Robert Greig	19,800	13,500
Christopher Henry Monaghan	2,200	1,243
William Pirie Sutherland	2,000	1,243
Anthony Morris Hart	-	1,243
Janet Ruth McGannon	4,840	3,343
Matthew Mark Cannon	4,840	3,043
Robert Lindsay Steane (Appointed 3rd October 2017)	-	-
Craig John Broadbent (Resigned 15th November 2017)	-	-
	33,680	**23,615**

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 $100 for the year ended 30 June 2018 (2017: $nil).

Note 22. Earnings per share

	2018 $	2017 $
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	150,897	700,745
	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 23. Events occurring after the reporting date

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

Note 24. Contingent liabilities and contingent assets

The company currently has two work cover claims that cannot be quantified at this stage.

Note 25. Segment reporting

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

Note 26. Registered office/Principal place of business

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

Registered Office

62 Railway Avenue
Ringwood East, VIC, 3135

Principal Place of Business

62 Railway Avenue
Ringwood East, VIC, 3135

Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 %**	**2017 %**
Financial assets												
Cash and cash equivalents	276,265	243,296	811,440	786,170	-	-	-	-	-	-	1.31	
Receivables	-	-	-	-	-	-	-	-	191,860	182,794	N/A	
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	28,262	35,308	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.

Note 27. 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 2018, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2018 $	2017 $
Change in profit/(loss)		
Increase in interest rate by 1%	10,877	10,295
Decrease in interest rate by 1%	(10,877)	(10,295)
Change in equity		
Increase in interest rate by 1%	10,877	10,295
Decrease in interest rate by 1%	(10,877)	(10,295)

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 2018 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 2018.

AFS
Partners in success
Chartered Accountants

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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 2018 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.

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 2018

David Hutchings
Lead Auditor

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