Annual Report 2017

Monbulk & District Community Enterprises Limited

ABN 76 146 945 959

Monbulk & District **Community Bank**® Branch

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Chairman's report

For year ending 30 June 2017

It is a privilege to present the company's Annual Report for the year ending 30 June 2017.

Milestones

During the year we proudly achieved two milestones that illustrate the company's success over the past five years.

Firstly, we achieved breakeven and subsequently profit on a monthly cash basis.

Secondly, we passed the $100 million mark in total business. We closed the year with an all business growth of $28 million, a remarkable result.

Sponsorships

Local community investment is now approaching $200,000.

Nationally community investment is now over $165 million.

Management

During the year we received the resignation of Tracey Hellema. We look to find an equally capable replacement to join our team. To provide further capacity and capability Jayden Saggin has now taken on a full-time role. Rebecca Van Steyn has stepped up to a CRO role as has Allison Wills Pettit. A third in a row regional 'Branch of the Year Award' is testament to our passionate and professional team.

Board and Board Committees

We have welcomed two new Directors to the Board this year being Kellie Clay and Stephen McDonald, both Accountants, who have each made valuable contributions in their short time on the Board in Treasury.

The full Board meets 11 times a year, but much of their work is done in sub committees, which meet regularly or as required.

Our committee structure allows the work of the Board to be more evenly spread among all volunteer Directors.

During the year a strong focus has been placed on governance and business development.

I thank all my fellow Directors for their dedicated effort and unwavering enthusiasm in which they discharge their responsibilities.

The road ahead

Banking business around the world has changed as interest rates fall to unprecedented lows and margins are squeezed as a result. The transaction element of banking is expected to change to more online banking. Our over the counter transactions are increasing slowly and defy the online trend. This is due, in no small part, to the friendly service provided by our professional staff.

Bendigo bank has over the last two years made some changes to our Franchise Agreement so that our profit share is very close to the agreed principle of a 50/50 share. This has had an impact on our bottom line and sharpened our focus on business development. Growth will come from new customers and also from our existing customers. Our average products per customer is 2.01 so there is potential for growth given our extensive range of products to meet a wide range of business and personal needs.

Chairman's report (continued)

Business development

We have taken on the adjoining shop at 68 Main Road, Monbulk. This will provide us a further office for when we need to accommodate extra meeting space over and above our normal day to day business activity, Board and community groups meeting facilities and a proposed co working space for ad hoc use for local business people.

Our aim is to consolidate our connection to community.

In closing I thank all our customers and shareholders for their continuing support, which is so important in enabling us to invest in our community.

L. Koelewyn

Leo Koelewyn
Chairman

Manager's report

For year ending 30 June 2017

The Monbulk & District **Community Bank**® Branch has now completed its sixth financial year-end. As at 30 June 2017 we held over 2,000 customers with business totalling over $111 million in holdings. This represents a net growth of just over $28 million during this period. We have had an outstanding growth year in both lending and deposits and have successfully been awarded Yarra Ranges region 'Branch of the Year' for the third year in a row. This can all be attributed to the support of the Monbulk community.

Not to rest on the solid foundation, we are under no illusion as to how challenging our continued growth performance will be, given the continued subdued economic climate and stiff competition from our banking competitors. To those shareholders who are yet to open an account with us, I invite you to call into the branch and discuss your needs with our friendly staff. To those shareholders who have supported the branch, I thank you for your current, continued and ongoing support.

As **Community Bank**® company shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about organising and strengthening our community. We are a bank with a difference and in the end, that's the very essence of why we're here - great service, great products for a great community.

As a **Community Bank**® branch our mantra of supporting our local community continues in earnest with numerous clubs, schools and organisations receiving funding approaching $200,000. It's exciting to think how much could be done if everybody within Monbulk & District did all their banking with us.

To my amazing staff Margaret, Alison, Rebecca, Jayden and Sharon, we've come a long way in last five and a half years and I'd like to publicly thank you all for the outstanding job you do. I appreciate you all and I know our customers appreciate you greatly.

To Marisa Dickins, Gab Butler and the support staff from Bendigo and Adelaide Bank, I thank you for your ongoing support and assistance.

I would also like to thank our Board of Directors for their continued support.

Finally, on behalf of the branch team and myself, thank you to all those who continue to support their community.

Aimee te Boekhorst
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:

Leonardus Josephus Cornelis Koelewyn

Chairman

Occupation: Nurseryman

Qualifications, experience and expertise: Career nurseryman, past Vice President/Committee Member for Monbulk Football Club, past President Nursery and Garden Industry Victoria, past Board member Monbulk Bowling Club, past Board member Melbourne International Flower and Garden Show, past Board member Garden State Advisory Council. Chairman Woori Yallock Creek Streamflow Management Committee.

Special responsibilities: Chairman

Interest in shares: 82,000

Raymond Leslie Yates

Secretary

Occupation: Retired

Qualifications, experience and expertise: Shire Councillor for 21 years. Justice of the Peace. Freeman of the Shire of Lillydale, former President of Rotary and Paul Harris Fellow, life member of Japara Community House, life member of Lilydale Historical Society, trust member of Lilydale and Districts Museum, Citizen of the Year Yarra Ranges Shire, foundation member of the Upper Yarra Valley and Dandenong Ranges Planning Authority, inaugural member of the Australian Local Government Association, school Principal for over 28 years. Recipient of the Centenary Medal and National Service Medal. Professional development presenter and facilitator. Chairman of Dandenong Ranges Music Council. Chairperson of Japara Community House. Treasurer of Sylvan Glades Homes.

Special responsibilities: Company Secretary, Governance Committee

Interest in shares: 10,000

Matthijs Blom

Director

Occupation: Manager

Qualifications, experience and expertise: Matthijs holds a Bachelor of Business Administration (Agri-Business). He has worked overseas in Argentina, Brazil and Holland before settling in Australia and working at P. Aker Flowerbulbs, later becoming a partner/shareholder in the business.

Special responsibilities: Marketing Committee

Interest in shares: 2,501

Directors (continued)

Jennifer Rae Nash

Director

Occupation: Real estate sales

Qualifications, experience and expertise: A long time resident of Monbulk, Jenni currently works for a local real estate office. She has previously owned her own business in Monbulk and has managed other businesses including women's and children's fashion stores and wholesale florists. She is a past President of St Paul's Primary School Parents and Friends Assoc., where her three children attended school. Jenni also co-ordinated the fundraising for Monbulk Jnr football club for three years and is a past member of the Monbulk Business Network. Her passion for the Monbulk community is reflected in her role here at the **Community Bank®** branch, and in her drive to promote the benefits of banking with Bendigo and how the bank supports the community.

Special responsibilities: Minutes Secretary, Marketing Committee

Interest in shares: 500

Sarah Melanie Tebbutt

Director

Occupation: Self Employed

Qualifications, experience and expertise: Sales and small business management, business development, quality assurance, innovation and training. Current School Council President at The Patch Primary, current President of The Patch Parents Association, founder and past Secretary Friends of Glenfern Valley Bushlands, 2017 Yarra Ranges Australia Day Award recipient for contribution to the community.

Special responsibilities: Chair Business Development Committee

Interest in shares: 4,000

Andrew Raper

Director

Occupation: Nurseryman

Qualifications, experience and expertise: Qualified Nurseryman. Current President of Camellias Victoria and National council presentive to Camellias Australia. Past Board member of Nursery and Garden Industry Victoria, Melbourne International Flower and Garden Show.

Special responsibilities: Nil

Interest in shares: 5,000

Kellie Ann Clay

Director (Appointed 5 February 2017)

Occupation: Accountant

Qualifications, experience and expertise: Kellie began working in public accounting in 1996 while completing her Bachelor of Business (Accounting). She began managing an office branch of Taxbiz Australia in 2004 and was offered partnership in 2009. In 2015 she founded Elysium Accounting with two business partners. In Kellie's 20 years of experience in public accounting she has gained a vast knowledge of many aspects of business, including taxation, accounting principles, business structures, audit, internal business practices & systems, and SMSF advice. She has gained experience in many different business industries. Kellie is also the Vice President of a not-for-profit support group with a focus on providing education and support to families caring for family members with life threatening medical conditions.

Special responsibilities: Finance Committee

Interest in shares: Nil

Directors (continued)

Stephen Michael McDonald

Director (Appointed 5 February 2017)

Occupation: Accountant

Qualifications, experience and expertise: Stephen is a senior financial executive with broad experience in all aspects of financial management, corporate governance, and management of risk, ICT and supply chain functions in both private and publicly listed companies. In a career spanning 25 years in the accounting profession, Stephen has held a number of senior finance roles across a broad range of industries. Stephen is a member of CPA Australia and holds a Bachelor of Economics from Monash University. An active contributor to the local community, Stephen was a school councillor at The Patch primary school for 8 years, on the committee of The Patch Landcare Group, and is currently on the committee of the Monbulk Junior Football Club.

Special responsibilities: Finance Committee

Interest in shares: Nil

Jacobus Petrus Maria Bras

Director (Resigned 21 November 2016)

Occupation: Retired

Qualifications, experience and expertise: Jim started his own nursery in 1980. He is a past Board member of Monbulk Soccer Club and was the Treasurer for 13 years. He is also a past Board member of 12 years at the Monbulk Bowling Club.

Special responsibilities: Building Committee

Interest in shares: 20,001

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 Raymond Yates. Raymond was appointed to the position of secretary on 24 November 2014.

Raymond was a school principal for over 28 years, and a Shire Councillor for 21 years.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2017 $	Year ended 30 June 2016 $
250,982	(17,824)

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

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 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:

	Directors' Meetings	
	Eligible	Attended
Leonardus Josephus Cornelis Koelewyn	10	10
Raymond Leslie Yates	10	10
Matthijs Blom	10	8
Jennifer Rae Nash	10	8
Sarah Melanie Tebbutt	10	8
Andrew Raper	10	9
Kellie Ann Clay (Appointed 2 February 2017)	4	3
Stephen Michael McDonald (Appointed 2 February 2017)	4	4
Jacobus Petrus Maria Bras (Resigned 21 November 2016)	4	3

Directors' report (continued)

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.

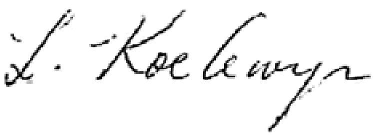
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- 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 Monbulk, Victoria on 4 September 2017.



Leonardus Josephus Cornelis Koelewyn,
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 Monbulk & District Community Enterprises Limited

As lead auditor for the audit of Monbulk & District 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.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 4 September 2017

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 2017

	Notes	2017 $	2016 $
Revenue from ordinary activities	4	767,595	580,684
Employee benefits expense		(419,293)	(347,227)
Charitable donations, sponsorship, advertising and promotion		(68,748)	(52,801)
Occupancy and associated costs		(39,024)	(30,320)
Systems costs		(34,063)	(32,968)
Depreciation and amortisation expense	5	(32,638)	(41,730)
Finance costs	5	(5,492)	(9,256)
General administration expenses		(98,968)	(84,206)
Profit/(loss) before income tax credit		**69,369**	**(17,824)**
Income tax credit	6	181,613	-
Profit/(loss) after income tax credit		**250,982**	**(17,824)**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**250,982**	**(17,824)**
Earnings per share		**¢**	**¢**
Basic earnings per share	22	29.49	(2.09)

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2017

	Notes	2017 $	2016 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,520	56
Trade and other receivables	8	83,706	60,791
Total Current Assets		**85,226**	**60,847**
Non-Current Assets			
Property, plant and equipment	9	123,226	129,923
Intangible assets	10	77,275	30,993
Deferred tax asset	11	182,110	-
Total Non-Current Assets		**382,611**	**160,916**
Total Assets		**467,837**	**221,763**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	112,852	30,318
Borrowings	13	84,642	178,511
Provisions	14	13,682	12,746
Total Current Liabilities		**211,176**	**221,575**
Non-Current Liabilities			
Provisions	14	15,200	10,208
Total Non-Current Liabilities		**15,200**	**10,208**
Total Liabilities		**226,376**	**231,783**
Net Assets/(Net Liabilities)		**241,461**	**(10,020)**
Equity			
Issued capital	15	823,643	823,643
Accumulated losses	16	(582,681)	(833,663)
Total Equity		**240,962**	**(10,020)**

The accompanying notes form part of these financial statements.

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

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2015	**823,643**	**(815,839)**	**7,804**
Total comprehensive income for the year	-	(17,824)	(17,824)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2016	**823,643**	**(833,663)**	**(10,020)**
Balance at 1 July 2016	**823,643**	**(833,663)**	**(10,020)**
Total comprehensive income for the year	-	250,982	250,982
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2017	**823,643**	**(582,681)**	**240,962**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2017

	Notes	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		748,637	566,818
Payments to suppliers and employees		(628,872)	(541,694)
Interest paid		(5,492)	(9,256)
Net cash provided by operating activities	**17**	**114,273**	**15,868**
Cash flows from investing activities			
Payments for property, plant and equipment		(5,070)	(2,332)
Payments for intangible assets		(13,870)	-
Net cash used in investing activities		**(18,940)**	**(2,332)**
Net increase in cash held		**95,333**	**13,536**
Cash and cash equivalents at the beginning of the financial year		(178,455)	(191,991)
Cash and cash equivalents at the end of the financial year	**7(a)**	**(83,122)**	**(178,455)**

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.

<u>Compliance with IFRS</u>

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

<u>Critical accounting estimates</u>

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.

<u>Historical cost convention</u>

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.

<u>Comparative figures</u>

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

<u>Application of new and amended accounting standards</u>

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 lease to be capitalised.

<u>Economic dependency - Bendigo and Adelaide Bank Limited</u>

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branch at Monbulk, Victoria.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

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

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

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

b) Revenue

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

Revenue calculation

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.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan.

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

Products and services on which margin is paid include variable rate deposits and variable rate home loans.

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.

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:

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

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) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

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

l) Leases

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

Note 1. Summary of significant accounting policies (continued)

l) Leases (continued)

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

m) Provisions

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

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

n) Contributed equity

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

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.

Note 2. Financial risk management (continued)

(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.

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.

Note 3. Critical accounting estimates and judgements (continued)

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.

	2017 $	2016 $

Note 4. Revenue from ordinary activities

Operating activities:		
- gross margin	578,044	404,489
- services commissions	107,017	78,735
- fee income	51,701	47,460
- market development fund	30,833	50,000
Total revenue from operating activities	**767,595**	**580,684**
Total revenues from ordinary activities	**767,595**	**580,684**

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	2,511	1,580
- leasehold improvements	9,256	13,350
Amortisation of non-current assets:		
- franchise agreement	2,040	2,000
- renewal processing fee	4,365	-
- establishment fee	11,666	20,000
- lease buy out	2,800	4,800
	32,638	**41,730**
Finance costs:		
- interest paid	**5,492**	**9,256**
Bad debts	**80**	**169**

Note 6. Income tax expense/(credit)

The components of tax expense/(credit) comprise:		
- Future income tax benefit attributable to losses brought to account	(204,219)	-
- Movement in deferred tax	(4,497)	4,899
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	7,426
- Under/(over) provision in respect to prior years	-	(2,850)
- Recoupment of prior year tax losses	27,103	522
- Tax losses not brought to account	-	(9,997)
	(181,613)	**-**

Notes to the financial statements (continued)

	2017 $	2016 $
Note 6. Income tax expense/(credit) (continued)		
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense/(credit) as follows		
Operating profit/(loss)	69,369	(17,824)
Prima facie tax on profit/(loss) from ordinary activities at 27.5% (2016: 28.5%)	19,077	(5,080)
Add tax effect of:		
- non-deductible expenses	3,529	7,638
- timing difference expenses	4,497	(2,036)
	27,103	**522**
Movement in deferred tax	(4,497)	4,899
Future income tax benefit attributable to losses brought to account	(204,219)	-
Adjustment to deferred tax to reflect change of tax rate in future periods	-	7,426
Under/(Over) provision of income tax in the prior year	-	(2,850)
Tax losses not brought to account	-	(9,997)
	(181,613)	**-**

Note 7. Cash and cash equivalents

Cash at bank and on hand	**1,520**	**56**
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	1,520	56
Bank overdraft	(84,642)	(178,511)
	(83,122)	**(178,455)**

Note 8. Trade and other receivables

Trade receivables	71,272	52,314
Prepayments	12,234	8,277
Other receivables and accruals	200	200
	83,706	**60,791**

	2017 $	2016 $

Note 9. Property, plant and equipment

	2017 $	2016 $
Leasehold improvements		
At cost	182,084	182,084
Less accumulated depreciation	(71,714)	(62,458)
	110,370	**119,626**
Plant and equipment		
At cost	41,427	36,357
Less accumulated depreciation	(28,571)	(26,060)
	12,856	**10,297**
Total written down amount	**123,226**	**129,923**
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	119,626	132,976
Additions	-	-
Disposals	-	-
Less: depreciation expense	(9,256)	(13,350)
Carrying amount at end	**110,370**	**119,626**
Plant and equipment		
Carrying amount at beginning	10,297	9,545
Additions	5,070	2,332
Disposals	-	-
Less: depreciation expense	(2,511)	(1,580)
Carrying amount at end	**12,856**	**10,297**
Total written down amount	**123,226**	**129,923**

Note 10. Intangible assets

	2017 $	2016 $
Franchise fee		
At cost	21,192	10,000
Less: accumulated amortisation	(10,873)	(8,833)
	10,319	**1,167**
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(88,334)
	-	**11,666**

	2017 $	2016 $
Note 10. Intangible assets (continued)		
Renewal processing fee		
At cost	55,961	-
Less: accumulated amortisation	(4,365)	-
	51,596	**-**
Lease buy out		
At cost	24,000	24,000
Less: accumulated amortisation	(24,000)	(21,200)
	-	**2,800**
Redomicile fee		
At cost	15,360	15,360
Total written down amount	**77,275**	**30,993**

Note 11. Tax

Non-Current:		
Deferred tax assets		
- accruals	770	674
- employee provisions	13,434	6,312
- tax losses carried forward	174,442	201,540
	188,646	**208,526**
Deferred tax liability		
- property, plant and equipment	6,536	-
- tax losses not brought to account	-	208,526
	6,536	**208,526**
Net deferred tax asset	**182,110**	**-**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income.	**(182,110)**	**-**

Note 12. Trade and other payables

Current:		
Trade creditors	72,575	-
Other creditors and accruals	40,277	30,318
	112,852	**30,318**

	2017 $	2016 $

Note 13. Borrowings

Current:		
Bank overdrafts	**84,642**	**178,511**

The bank overdraft has an approved limit of $250,000. Interest is charged at the commercial interest rate as per agreement with franchisor. The current interest rate is 3.795%. The overdraft is secured by a fixed and floating charge over the company's assets.

Note 14. Provisions

Current:		
Provision for annual leave	**13,682**	**12,746**
Non-Current:		
Provision for long service leave	**15,200**	**10,208**

Note 15. Contributed equity

851,010 ordinary shares fully paid (2016: 851,010)	851,010	851,010
Less: equity raising expenses	(27,367)	(27,367)
	823,643	**823,643**

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).

Note 15. Contributed equity (continued)

Rights attached to shares (continued)

(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 195. As at the date of this report, the company had 214 shareholders.

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

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

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

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Note 16. Accumulated losses

	2017 $	2016 $
Balance at the beginning of the financial year	(833,663)	(815,839)
Net profit/(loss) from ordinary activities after income tax	250,982	(17,824)
Balance at the end of the financial year	**(582,681)**	**(833,663)**

Note 17. Statement of cash flows

	2017 $	2016 $
Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by operating activities		
Profit/(loss) from ordinary activities after income tax	250,982	(17,824)
Non cash items:		
- depreciation	11,767	14,930
- amortisation	20,871	26,800
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(22,913)	(17,575)
- (increase)/decrease in other assets	(181,613)	-
- increase/(decrease) in payables	29,251	9,946
- increase/(decrease) in provisions	5,928	(409)
Net cash flows provided by operating activities	**114,273**	**15,868**

Note 18. Leases

	2017 $	2016 $
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	39,549	19,502
- between 12 months and 5 years	84,375	76,383
- greater than 5 years	-	-
	123,924	**95,885**

The property lease for 70 Main Road is a non-cancellable lease with a five year term which commenced on 2 February 2017. Rent is payable monthly in advance and is subject to annual CPI increase. The lease has one further option for an extension of five years.

The property lease for 68 Main Road is a non-cancellable lease with a two year term which commenced on 15 December 2016. Rent is payable monthly in advance. The lease has one further option for an extension of two years.

Note 19. Auditor's remuneration

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

	2017 $	2016 $
- audit and review services	5,300	5,100
- share registry services	1,885	1,800
- non audit services	2,735	2,870
	9,920	**9,770**

Note 20. Director and related party disclosures

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

- Leonardus Josephus Cornelis Koelewyn
- Raymond Leslie Yates
- Matthijs Blom
- Jennifer Rae Nash
- Sarah Melanie Tebbutt
- Andrew Raper
- Kellie Ann Clay (Appointed 2 February 2017)
- Stephen Michael McDonald (Appointed 2 February 2017)
- Jacobus Petrus Maria Bras (Resigned 21 November 2016)

No director's fees have been paid as the positions are held on a voluntary basis.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2017 $	2016 $
Transactions with related parties:		
Sarah Tebbutt receives remuneration for Business Development Consulting Services provided to the Board. Sarah received $33,000 for the financial year ended 30 June 2017.	33,000	20,373

	2017	2016
Directors' Shareholdings		
Leonardus Josephus Cornelis Koelewyn	82,000	82,000
Raymond Leslie Yates	10,000	10,000
Matthijs Blom	2,501	2,501
Jennifer Rae Nash	500	500
Sarah Melanie Tebbutt	4,000	4,000
Andrew Raper	5,000	5,000
Kellie Ann Clay (Appointed 2 February 2017)	-	-
Stephen Michael McDonald (Appointed 2 February 2017)	-	-
Jacobus Petrus Maria Bras (Resigned 21 November 2016)	20,001	20,001

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

Notes to the financial statements (continued)

Note 21. Key management personnel disclosures

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

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

	2017 $	2016 $
Note 22. Earnings per share		
(a) Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	250,982	(17,824)

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	851,010	851,010

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

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

Note 25. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**® services in Monbulk, 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	Principal Place of Business
70 Main Road	70 Main Road
Monbulk Vic 3793	Monbulk Vic 3793

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	**2017 $**	**2016 $**	**2017 $**	**2016 $**	**2017 $**	**2016 $**	**2017 $**	**2016 $**	**2017 $**	**2016 $**	**2017 %**	**2016 %**
Financial assets												
Cash and cash equivalents	1,454		-	-	-	-	-	-	66	56	Nil	Nil
Receivables	-	-	-	-	-	-	-	-	71,272	52,314	N/A	N/A
Financial liabilities												
Interest bearing liabilities	84,642	178,511	-	-	-	-	-	-	-	-	4.48	4.76
Payables	-	-	-	-	-	-	-	-	72,575	-	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

Note 27. Financial instruments (continued)

Sensitivity Analysis (continued)

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 $
Change in profit/(loss)		
Increase in interest rate by 1%	(832)	(1,785)
Decrease in interest rate by 1%	832	1,785
Change in equity		
Increase in interest rate by 1%	(832)	(1,785)
Decrease in interest rate by 1%	832	1,785

Directors' declaration

In accordance with a resolution of the directors of Monbulk & District Community Enterprises Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 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.

L. Koelewyn

Leonardus Josephus Cornelis Koelewyn,
Chairman

Signed on the 4th of September 2017.

Partners in success
Chartered Accountants

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

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Monbulk & District Community Enterprises Limited is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
ii. complying with Australian Accounting Standards.

What we have audited

Monbulk & District 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: 4 September 2017

David Hutchings
Lead Auditor

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