



# Annual Report 2016

Mount Martha Community  
Enterprises Ltd

ABN 25 142 190 949

Mount Martha **Community Bank**<sup>®</sup> Branch

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# Mission statement

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“We aim to be an integral and respected part of our community”

## **What does this mean?**

- At Mount Martha **Community Bank**® Branch, we focus on building wealth for our customers and communities, in order to develop sustainable earnings and growth of our business.
- Our motivation is to help our customers succeed, our community succeed and as result our business succeed.
- We are committed to deliver professional, quality service and strive to exceed our customers’ expectations with every experience.
- We seek respect by creating trust through the manner in which we undertake our role and treat all members of our community.
- Our community is represented by our customers, our business partners, and our shareholders.
- We wish to make a difference within our community, developing innovative ways leading to success for members of our community.
- We are proud of our contribution to the community.

# Chairman's report

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## For year ending 30 June 2016

Ladies and gentlemen this is my fifth report on the progress of your bank, Mount Martha **Community Bank**<sup>®</sup> Branch.

The financial statements are included with this report and you will see that as they did last year they indicate a satisfactory but barely satisfactory performance. I urge you to read carefully through them.

Your bank's performance continues to be ahead of prospectus expectations as at 30 June 2016.

You will see in the financial reports that before allowing for depreciation and amortisation your bank made a loss of \$48,172 (after provision for depreciation and amortisation \$79,669) during the year to June 2016.

I am pleased to be able to tell you that for the three months May, June and July 2016 there was a turnaround in performance which gives me some real optimism for the 2016/17 financial year.

For those of you who may have questions concerning the financial performance, Treasurer Colin Forsyth will be happy to answer your questions.

There has been little change in the factors which continue to prevent your bank from becoming profitable and for all of us profitable to the level where a dividend can be declared.

As I reported last year none the least of those factors are:

1. the mortgage market continues to be flat with interest rates at historically low levels
2. deposits continue to exceed lending
3. the community that we serve has a very significant percentage of self-funded retirees who are not in the market for borrowing
4. there continues to be a weakness in the support given to your bank by local business.

In the interest of achieving an improvement in your bank's performance there have been changes on both the Board and in the branch.

As the year came to an end, Manager Tom and the Board decided that we should part company. I wish Tom well in his future endeavours.

Tom's position as Manager has been ably filled by Mr Kerry Debernardi. Kerry is a long-term banker, former employee of the Bendigo and Adelaide Bank Limited and the former Manager of the Bendigo Bank company branch at Mornington.

Kerry brings with him a wealth of knowledge and experience and a very real determination to see your bank become both an integral part of the Mount Martha community and a financial success for shareholders.

When the steering committee some six and a half years ago envisaged a **Community Bank**<sup>®</sup> branch for Mount Martha it was believed that the break-even figure for business footings was \$50 million. With the change of circumstances in the financial market and changes to the formula for calculating the distribution of profits between your bank and Bendigo and Adelaide Bank Limited, our franchisor, that amount has over the five years of our business crept up to \$80 million. I am cheered to be able to report that under the guidance and leadership of Kerry and his team as at the preparation of this report our footings are slightly over \$82 million with our loan book showing very positive and pleasing growth trends.

Kerry is very ably supported by an enthusiastic team. Last year Melanie Welsh joined our team. During this year Melanie took time off for the birth of her first child. Her position was ably filled by Stacey Wakeman. The contribution of these two customer relations officers has been such that Kerry, with the Board's support, has decided to retain both as members of his team along with counter staff Narelle, Jeannie and Kim.

During the year Maureen Gregory who joined the Board during the 2015/16 financial year resigned.

## Chairman's report (continued)

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A long serving Director and member of the original Steering Committee, Andrew Taber retired in December. I particularly thank Andrew for his long and dedicated service. His wise counsel and attention to detail has been invaluable and on your behalf I thank him for his contribution to the operation of the Board and your bank.

Maureen's position was filled by Graham Hubbard who brings to the Board considerable expertise in marketing, having earned a high reputation as an Educator, Author, and Marketing Consultant.

Andrew's position was filled by Alva Hemming who brought to the Board 30 years' practical experience in marketing. Sadly, but fortunately for Alva, she was offered a senior and challenging position in marketing which required a move to Queensland necessitating her resignation in July.

Alva's position has been filled by Lisa Gould, a Mount Martha resident. Lisa is an experienced leader, coach, and motivator with an extensive history in banking. She spent some 15 years with Westpac, seven years of those as a Branch Manager. I am confident that she will make a valuable contribution to the board.

Shortly after the end of the financial year but prior to the preparation of this report Barry Kirkpatrick, also a member of the original Steering Committee, with some sadness decided that for family reasons he should retire. Whilst his retirement will be a great loss to the Board, Barry has agreed to continue to support the Board and to work towards the continued success of your bank as best his time and family commitments will permit. His retirement is a great loss but on your behalf I thank him for his untiring commitment over the past six and a half years.

Barry's position has been filled by Pauline Jacob. Pauline has recently become a Mount Martha resident and she brings to the Board 21 years' experience in environmental and health management in Australia and Southeast Asia. She has a Master of Science Degree in Environmental Management and is currently the group advisor, environment, community and government relations, with Oceana Gold Ltd. We are very fortunate to have been able to persuade her to join the Board.

Last year I said to you that one of the real challenges which faces the Board is regular and timely renewal. I am pleased to say that I believe that Graham, Lisa and Pauline bring to the Board a level of renewal and skill that will serve to re-energise us. That does not however say that there should not be continuing renewal. I encourage any shareholder who feels that he or she has the skill or energy to serve as a Director, or may know of someone who has the skill and energy, to nominate themselves or nominate that person to serve as a Director.

I am an optimist by nature, this year I genuinely say to you that I think that your Bank has scrambled over the hurdle and is now looking towards a bright and profitable future.

Thank you for your attendance this evening and for your continued support.



**Nick Roberts**  
**Chairman**

# Manager's report

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For year ending 30 June 2016

Welcome to members of Mount Martha **Community Bank**<sup>®</sup> Branch including all shareholders, customers, Board members and staff.

In my first report as Branch Manager I would like to take the opportunity to introduce myself. Married, with three boys and I have lived on the Mornington Peninsula all of my life and in Mount Martha for the past 38 years. I have worked in the banking industry for many years and was previously involved in retail banking management, lending administration, equipment finance, trade finance, business banking and management of a small business banking centre, before returning to my most enjoyable role of Branch Management with Bendigo Bank almost 12 years ago. I formally took up my role with Mount Martha **Community Bank**<sup>®</sup> Branch in July of this year.

I would like to thank the Board for the opportunity to manage the Mount Martha **Community Bank**<sup>®</sup> Branch, and be actively involved in our community.

Mount Martha **Community Bank**<sup>®</sup> Branch offers a great deal of opportunities with a foundation in place set up to date by the staff and Board members. The features of note developed over the past 12 months include:

- Overall business grew by \$4.7 million or 6.9%
- Lending grew by \$1.8 million or 7.5%
- Wealth products grew by \$1.9 million
- Deposits grew by \$1 million or 2.5%
- New account numbers grew by 327 to 3,085 at a rate of 11.9%
- Product per customer grew by 0.034 to 1.693 at a rate of 2.0%
- Community partnership contributions since the branch opened increased to \$140,000.

The Mount Martha **Community Bank**<sup>®</sup> Branch operates in an extremely competitive market, facing many challenges with low interest rates, borrowers' accelerated repayments and an ever growing level of competition. It is our point of difference, with our focus on building the success of our customer, the success of our community and the eventual success of our business, that will shape the value of our bank.

I look forward to building a strong relationship with our customer base, our community groups, and in turn be able to assist all achieve their financial goals.

Since arriving in July of this year the staff have welcomed me, and been nothing but supportive from all aspects, including introduction to our customers, creating opportunities to grow the business and innovative ways to promote and develop the book. The quality of staff is paramount and with their enthusiasm I look forward to not only working with them but creating a successful team.

I would also like to acknowledge the support provided by our Regional Manager, Mr Simon Sponza and State Manager, Mr Phil Jones. They have been extremely supportive when it comes to competing with an ever growing level of competition within the industry, and have supported the initiatives we have put before them.



**Kerry Debernardi**  
**Branch Manager**

# Directors' report

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For the financial year ended 30 June 2016

Your directors submit the financial statements of the company for the financial year ended 30 June 2016.

## Directors

The names and details of the company's directors who held office during or since the end of the financial year:

### **Nicholas John Roberts**

Chairman

Occupation: Legal Practitioner

Experience & expertise: Nick was managing partner of Roberts Partners, a large legal practice on the Mornington Peninsula, responsible for the development and management of the firm's professional and business practice. A qualified accountant and tax agent, he now practises as an arbitrator and mediator, with many years of experience in those fields. Over the years Nick has had a committed involvement in local clubs and associations having served in positions with the Mt Martha Rotary Club including two terms as President.

Special responsibilities: Chairman

Interest in shares: 20,001

### **Colin Stanley Forsyth**

Treasurer

Occupation: Retired accountant

Experience & expertise: Colin has an accounting diploma and worked in 1st line for Bluescope Steel for 30 years where he predominantly worked in management accounting roles. He was also a director and member of the audit committee for the Lysaght Credit Union.

Special responsibilities: Audit and Governance Committee, Marketing and Business Development Committee

Interest in shares: 2,000

### **Anthony David Wiltshire**

Director

Occupation: Retired

Experience & expertise: Founder and former Chairman of Tony Wiltshire Holdings, makers of the Portfolio brand of women's clothing. Manufacturer, wholesaler and retailer in women's apparel. Past president of Fashion Industries of Australia and vice president of Textile Clothing and Footwear Council of Australia. Past Captain and President of the Peninsula Country Golf Club and current Board member of that entity.

Special responsibilities: Chair, Assets and Human Resources Committee

Interest in shares: 40,000

### **Mary Rose Morgan**

Secretary

Occupation: Retired

Experience & expertise: Mary Rose has a commerce degree from the University of Melbourne and has been a Certified Practising Accountant since 1986. She has had a long career in industrial relations as a senior manager and deputy CEO of a professional medical college and has had a private practice as a tax agent. Mary Rose is now heavily involved in honorary administrative work for the Melbourne Bach Choir, the Australian Suicide Prevention Foundation and the Mount Martha **Community Bank**<sup>®</sup> Branch.

Special responsibilities: Company Secretary

Interest in shares: 1



# Directors' report (continued)

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## Directors (continued)

### **Geoffrey Ian Kidd**

Director

Occupation: Accountant

Experience & expertise: Geoffrey has been principal of P R Jennings & Co, Certified Practising Accountants for over 20 years. He holds a degree in economics and has a Practising Certificate from CPA Australia and is a Registered Company Auditor. Located in Mornington, P R Jennings & Co provide a wide range of tax accounting and audit services to a client base predominantly centred on the Mornington Peninsula.

Special responsibilities: Deputy Chair, Audit and Governance Committee

Interest in shares: 2,001

### **Kaye Meredith Young**

Director

Occupation: Semi-retired teacher

Experience & expertise: Kaye has an Economics degree and Diploma in Education from Monash University. She began her working life with Myer followed by 5 years at IBM, and then moved into teaching. She has recently retired after 23 years in the teaching profession. She taught VCE Economics and Business Management, and for a number of years was a Head of Year before becoming the Head of Commerce. She continues to do some teaching work on a casual basis.

Special responsibilities: Assets and Human Resources Committee

Interest in shares: 1,000

### **Robert Victor Anderson**

Director

Occupation: Company Director

Experience & expertise: Non-executive Director with 14 years experience across the health, education, local government and finance sector. Executive experience across financial services information technology and risk management. Treasurer of Moorooduc CFA. Graduate of Australian Institute of Company Directors. Diploma of Business (Accounting).

Special responsibilities: Chair, Audit and Governance Committee

Interest in shares: 2,000

### **Graham Hubbard**

Director (Appointed 23 November 2015)

Business Consultant

Experience & expertise: B Ec, MBA, Ph D. Business consultant. President of Balcombe Estuary Reserves Group Mt Martha. Formerly Professor of Strategic Management and Head of School at Adelaide University and RMIT University. Author of 17 textbooks on strategic management.

Special responsibilities: Marketing Committee

Interest in shares: Nil

### **Lisa Jillian Gould**

Director (Appointed 26 July 2015)

Admin. Manager

Experience & expertise: Over 19 years banking experience with one of Australia's top four banks. Roles included sales and people management positions. Currently managing the day to day running of a small/medium family owned business. Responsibilities include people management, all financial duties, customer service and sales.

Special responsibilities: Marketing Committee

Interest in shares: Nil



# Directors' report (continued)

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## Directors (continued)

### **Barry Norman Kirkpatrick**

Director (Resigned 26 July 2016)

Occupation: Retired Pharmaceuticals Manager

Experience & expertise: Barry's career was in the pharmaceutical industry as a territory manager and assistant state manager where he gained considerable expertise in organising functions and meetings and had responsibility for supervision of new sales staff. He has an interest in sales and marketing. Member of Mount Martha Fire Brigade since 1976.

Special responsibilities: Marketing Committee

Interest in shares: 3,001

### **Alva Hemming**

Director (Appointed 22 December 2015, Resigned 11 July 2016)

Tourism Marketing Consultant

Experience & expertise: B.A; B.Ed.; B.Bus. Expertise in marketing, training and sales. Past employment as Tourism Executive Officer Mornington Peninsula Tourism (17 years). Lecturer Latrobe University, Senior Tourism Officer, Tourism Albury Wodonga.

Special responsibilities: Marketing Committee

Interest in shares: Nil

### **Andrew James Taber**

Director (Resigned 31 December 2015)

Occupation: Engineer

Experience & expertise: Andrew qualified in electrical engineering at Melbourne University and is a member of the Institution of Engineers Australia and a chartered professional engineer. He now has his own consulting business, Taber Engineering Services Pty Ltd. He has had extensive experience providing project management and engineering services for companies such as BHP, Bluescope Steel, The Australian Synchrotron, Ford and General Motors Holden.

Special responsibilities: Assets and Human Resources Committee

Interest in shares: 2,001

### **Maureen Therese Gregory**

Director (Appointed 22 June 2015, Resigned 9 July 2015)

Experience & expertise:

Special responsibilities: Nil

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 Mary Rose Morgan. Mary Rose was appointed to the position of secretary on 1 July 2015.

Mary Rose has a commerce degree from the University of Melbourne and has been a Certified Practising Accountant since 1986. She has had a long career in industrial relations as a senior manager and deputy CEO of a professional medical college and has had a private practice as a tax agent. Mary Rose is now heavily involved in honorary administrative work for the Melbourne Bach Choir, the Australian Suicide Prevention Foundation and the Mount Martha **Community Bank**<sup>®</sup> Branch.

# Directors' report (continued)

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## Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank**<sup>®</sup> 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 loss of the company for the financial year after provision for income tax was:

Year ended 30 June 2016 \$	Year ended 30 June 2015 \$
(79,669)	(96,698)

## 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.

## 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' report (continued)

## Directors' meetings

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

	Board Meetings Attended	
	Eligible	Attended
Nicholas John Roberts	12	11
Colin Stanley Forsyth	12	11
Anthony David Wiltshire	12	6
Mary Rose Morgan	12	8
Geoffrey Ian Kidd	12	12
Kaye Meredith Young	12	10
Robert Victor Anderson	12	11
Graham Hubbard (Appointed 23 November 2015)	8	6
Lisa Jillian Gould (Appointed 26 July 2015)	-	-
Barry Norman Kirkpatrick (Resigned 26 July 2016)	12	8
Alva Hemming (Appointed 22 December 2015, Resigned 11 July 2016)	7	4
Andrew James Taber (Resigned 31 December 2015)	6	5
Maureen Therese Gregory (Appointed 22 June 2015, Resigned 9 July 2015)	-	-

## 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.

# Directors' report (continued)

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## **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 12.

Signed in accordance with a resolution of the board of directors at Mount Martha, Victoria on 19 September 2016.



**Nicholas John Roberts,**  
**Chairman**

# Auditor's independence declaration

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## Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Mount Martha Community Enterprises Ltd

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

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

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart', written in a cursive style.

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated: 19 September 2016

A handwritten signature in black ink, appearing to read 'David Hutchings', written in a cursive style.

**David Hutchings**  
Lead Auditor

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

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TAXATION AUDIT BUSINESS SERVICES FRANCHISE PLANNING

# Financial statements

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

	Notes	2016 \$	2015 \$
Revenue from ordinary activities	4	471,379	458,507
Employee benefits expense		(269,468)	(257,385)
Charitable donations, sponsorship, advertising and promotion		(32,265)	(37,159)
Occupancy and associated costs		(100,413)	(103,373)
Systems costs		(32,869)	(33,196)
Depreciation and amortisation expense	5	(31,497)	(37,780)
Finance costs	5	(3,685)	(781)
General administration expenses		(80,851)	(85,531)
<b>Loss before income tax</b>		<b>(79,669)</b>	<b>(96,698)</b>
Income tax	6	-	-
<b>Loss after income tax</b>		<b>(79,669)</b>	<b>(96,698)</b>
<b>Total comprehensive income for the year</b>		<b>(79,669)</b>	<b>(96,698)</b>
<b>Earnings per share for loss attributable to the ordinary shareholders of the company:</b>			
		¢	¢
Basic earnings per share	22	(7.73)	(9.38)

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Balance Sheet as at 30 June 2016

	Notes	2016 \$	2015 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	12,482	12,883
Trade and other receivables	8	44,249	27,446
<b>Total Current Assets</b>		<b>56,731</b>	<b>40,329</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	56,521	68,130
Intangible assets	10	111,432	63,539
<b>Total Non-Current Assets</b>		<b>167,953</b>	<b>131,669</b>
<b>Total Assets</b>		<b>224,684</b>	<b>171,998</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	19,836	10,738
Borrowings	13	122,642	44,058
Provisions	14	11,993	12,357
<b>Total Current Liabilities</b>		<b>154,471</b>	<b>67,153</b>
<b>Non-Current Liabilities</b>			
Trade and other payables	12	44,735	-
Provisions	14	3,478	3,176
<b>Total Non-Current Liabilities</b>		<b>48,213</b>	<b>3,176</b>
<b>Total Liabilities</b>		<b>202,684</b>	<b>70,329</b>
<b>Net Assets</b>		<b>22,000</b>	<b>101,669</b>
<b>Equity</b>			
Issued capital	15	1,002,892	1,002,892
Accumulated losses	16	(980,892)	(901,223)
<b>Total Equity</b>		<b>22,000</b>	<b>101,669</b>

The accompanying notes form part of these financial statements.



## Financial statements (continued)

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

	Issued capital \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2014</b>	<b>1,002,892</b>	<b>(804,525)</b>	<b>198,367</b>
<b>Total comprehensive income for the year</b>	-	<b>(96,698)</b>	<b>(96,698)</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
<b>Balance at 30 June 2015</b>	<b>1,002,892</b>	<b>(901,223)</b>	<b>101,669</b>
<b>Balance at 1 July 2015</b>	<b>1,002,892</b>	<b>(901,223)</b>	<b>101,669</b>
<b>Total comprehensive income for the year</b>	-	<b>(79,669)</b>	<b>(79,669)</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
<b>Balance at 30 June 2016</b>	<b>1,002,892</b>	<b>(980,892)</b>	<b>22,000</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Cash Flows for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		505,036	512,885
Payments to suppliers and employees		(567,419)	(567,416)
Interest received		639	400
Interest paid		(3,685)	(781)
<b>Net cash used in operating activities</b>	<b>17</b>	<b>(65,429)</b>	<b>(54,912)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		-	(366)
Payments for intangible assets		(13,556)	-
<b>Net cash used in investing activities</b>		<b>(13,556)</b>	<b>(366)</b>
<b>Net decrease in cash held</b>		<b>(78,985)</b>	<b>(55,278)</b>
Cash and cash equivalents at the beginning of the financial year		(31,175)	24,103
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<b>(110,160)</b>	<b>(31,175)</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2016

## Note 1. Summary of significant accounting policies

### a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

#### Compliance with IFRS

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

#### Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

#### Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

#### Comparative figures

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

#### Application of new and amended accounting standards

The following amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2015, and are therefore relevant for the current financial year.

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.
- AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.

None of the amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2015, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

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

# Notes to the financial statements (continued)

## Note 1. Summary of significant accounting policies (continued)

### a) Basis of preparation (continued)

#### Application of new and amended accounting standards (continued)

	<b>Effective for annual reporting periods beginning on or after</b>
AASB 9 Financial Instruments, and the relevant amending standards.	1 January 2018
AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2018
AASB 16 Leases	1 January 2019
AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.	1 January 2016
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.	1 January 2016
AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.	1 January 2016
AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.	1 January 2016
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2018
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.	1 January 2016
AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016
AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses.	1 January 2017
AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107.	1 January 2017

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

#### Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**<sup>®</sup> branch at Mount Martha, Victoria.

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**<sup>®</sup> branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**<sup>®</sup> branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

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

- advice and assistance in relation to the design, layout and fit out of the **Community Bank**<sup>®</sup> 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.

Going concern

The net assets of the company as at 30 June 2016 were \$22,000 and the loss made for the year was \$79,669, bringing accumulated losses to \$980,892.

<b>In addition:</b>	<b>\$</b>
Total assets were	224,684
Total liabilities were	202,684
Operating cash flows were	(65,429)

There was a 18% decrease in the loss recorded for the financial year ended 30 June 2016 when compared to the prior year.

The company meets its day to day working capital requirements through an overdraft facility. The overdraft has an approved limit of \$200,000 and was drawn to \$122,642 as at 30 June 2016.

\$3,685 of interest expense was incurred during the 2016 financial year.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 6 to 11. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### a) Basis of preparation (continued)

#### Going concern (continued)

The current economic environment is difficult and revenue has increased during the year, but the company has again reported an operating loss for the year. The directors consider that the outlook presents significant challenges in terms of banking business volume and pricing as well as for operating costs. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company will be required to seek an increase in its overdraft facility.

The company has held discussions with Bendigo and Adelaide Bank Limited about its future borrowing needs. It is likely that these discussions will not be completed for some time but no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms. The company has also obtained an undertaking of support from Bendigo and Adelaide Bank Limited that it will continue to support the company and its operations for the 2016/17 financial year. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

The directors have concluded that the combination of the circumstances above represents a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

### b) Revenue

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

#### Revenue calculation

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

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

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### b) Revenue (continued)

#### Revenue calculation (continued)

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

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

#### Core banking products

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

#### Margin

Margin is arrived at through the following calculation:

Interest paid by customers on loans less interest paid to customers on deposits  
plus any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,  
minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

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

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

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

#### Commission

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

#### Fee income

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

#### Ability to change financial return

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



# Notes to the financial statements (continued)

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## 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**<sup>®</sup> 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**<sup>®</sup> model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

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

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

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

### c) Income tax

Current tax

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

Deferred tax

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

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **c) Income tax (continued)**

#### Deferred tax (continued)

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

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

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

#### Current and deferred tax for the period

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

### **d) Employee entitlements**

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

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

### **e) Cash and cash equivalents**

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

### **f) Trade receivables and payables**

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

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **g) Property, plant and equipment**

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

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

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

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

### **h) Intangibles**

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

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

### **i) Payment terms**

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

### **j) Borrowings**

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

### **k) Financial instruments**

#### Recognition and initial measurement

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

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

#### Derecognition

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

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **k) Financial instruments (continued)**

#### Classification and subsequent measurement

##### (i) Loans and receivables

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

##### (ii) Held-to-maturity investments

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

##### (iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

##### (iv) Financial liabilities

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

#### Impairment

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

### **l) Leases**

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

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

### **m) Provisions**

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

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **m) Provisions (continued)**

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

### **n) Contributed equity**

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

### **o) Earnings per share**

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

### **p) Goods and Services Tax**

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

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

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

## Note 2. Financial risk management

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

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

### (i) Market risk

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

### (ii) Price risk

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

### (iii) Credit risk

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

### (iv) Liquidity risk

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

# Notes to the financial statements (continued)

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## Note 2. Financial risk management (continued)

### (v) Cash flow and fair value interest rate risk

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

### (vi) Capital management

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

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

## Note 3. Critical accounting estimates and judgements

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

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

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

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

### Taxation

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

# Notes to the financial statements (continued)

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## Note 3. Critical accounting estimates and judgements (continued)

### Taxation (continued)

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

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

### Estimation of useful lives of assets

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

### Impairment of assets

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

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

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

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



## Notes to the financial statements (continued)

	2016 \$	2015 \$
<b>Note 4. Revenue from ordinary activities</b>		
Operating activities:		
- services commissions	470,740	458,107
<b>Total revenue from operating activities</b>	<b>470,740</b>	<b>458,107</b>
Non-operating activities:		
- interest received	639	400
<b>Total revenue from non-operating activities</b>	<b>639</b>	<b>400</b>
<b>Total revenues from ordinary activities</b>	<b>471,379</b>	<b>458,507</b>

## Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	5,669	8,733
- leasehold improvements	5,940	7,045
Amortisation of non-current assets:		
- franchise establishment fee	14,999	20,001
- franchise agreement	2,065	2,001
- franchise renewal fee	2,824	-
	<b>31,497</b>	<b>37,780</b>
Finance costs:		
- interest paid	<b>3,685</b>	<b>781</b>
<b>Bad debts</b>	<b>177</b>	<b>416</b>

## Note 6. Income tax expense

The components of tax expense comprise:

- Future income tax benefit attributable to losses	(18,202)	(24,735)
- Movement in deferred tax	198	648
- Tax losses not brought to account	9,026	11,567
- Adjustment to deferred tax to reflect change of tax rate in future periods	8,978	12,520
	-	-

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

Operating loss	(79,669)	(96,698)
Prima facie tax on loss from ordinary activities at 28.5% (2015: 30%)	(22,706)	(29,009)

## Notes to the financial statements (continued)

	Note	2016 \$	2015 \$
Note 6. Income tax expense (continued)			
Add tax effect of:			
- non-deductible expenses		4,702	6,600
- timing difference expenses		(198)	(648)
- other deductible expenses		-	(1,678)
		<b>(18,202)</b>	<b>(24,735)</b>
Movement in deferred tax		198	648
Tax losses not brought to account		9,026	11,567
Adjustment to deferred tax to reflect change of tax rate in future periods		8,978	12,520
		-	-

### Note 7. Cash and cash equivalents

Cash at bank and on hand		12,335	12,740
Term deposits		147	143
		<b>12,482</b>	<b>12,883</b>

#### 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		12,335	12,740
Term deposits		147	143
Bank overdraft	13	(122,642)	(44,058)
		<b>(110,160)</b>	<b>(31,175)</b>

### Note 8. Trade and other receivables

Trade receivables		38,392	26,683
Prepayments		5,857	763
		<b>44,249</b>	<b>27,446</b>

## Notes to the financial statements (continued)

	2016 \$	2015 \$
<b>Note 9. Property, plant and equipment</b>		
Leasehold improvements		
At cost	79,857	79,857
Less accumulated depreciation	(46,185)	(40,245)
	<b>33,672</b>	<b>39,612</b>
Plant and equipment		
At cost	74,421	74,421
Less accumulated depreciation	(51,572)	(45,903)
	<b>22,849</b>	<b>28,518</b>
<b>Total written down amount</b>	<b>56,521</b>	<b>68,130</b>
<b>Movements in carrying amounts:</b>		
Leasehold improvements		
Carrying amount at beginning	39,612	46,657
Less: depreciation expense	(5,940)	(7,045)
<b>carrying amount at end</b>	<b>33,672</b>	<b>39,612</b>
Plant and equipment		
Carrying amount at beginning	28,518	36,885
Additions	-	366
Less: depreciation expense	(5,669)	(8,733)
<b>Carrying amount at end</b>	<b>22,849</b>	<b>28,518</b>
<b>Total written down amount</b>	<b>56,521</b>	<b>68,130</b>
<b>Note 10. Intangible assets</b>		
Franchise fee		
At cost	21,297	10,000
Less: accumulated amortisation	(10,565)	(8,500)
	<b>10,732</b>	<b>1,500</b>
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(85,001)
	-	<b>14,999</b>

## Notes to the financial statements (continued)

	Note	2016 \$	2015 \$
Note 10. Intangible assets (continued)			
Renewal processing fee			
At cost		56,484	-
Less: accumulated amortisation		(2,824)	-
		<b>53,660</b>	-
Redomicile fee			
<b>At cost</b>		<b>47,040</b>	<b>47,040</b>
<b>Total written down amount</b>		<b>111,432</b>	<b>63,539</b>

## Note 11. Tax

### Non-Current:

Deferred tax assets			
- accruals		608	810
- employee provisions		4,255	4,427
- tax losses carried forward		242,031	232,630
		<b>246,894</b>	<b>237,867</b>
<b>Tax losses not brought to account</b>		<b>(246,894)</b>	<b>(237,867)</b>
<b>Net deferred tax asset</b>		-	-

## Note 12. Trade and other payables

### Current:

Trade creditors		4,924	10,738
Other creditors and accruals		14,912	-
		<b>19,836</b>	<b>10,738</b>

### Non-Current:

<b>Other creditors and accruals</b>		<b>44,735</b>	-
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## Note 13. Borrowings

### Current:

<b>Bank overdrafts</b>	<b>27</b>	<b>122,642</b>	<b>44,058</b>
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The company has an approved overdraft facility of \$200,000. The overdraft is secured by a fixed and floating charge over the company's assets.

## Notes to the financial statements (continued)

	2016 \$	2015 \$
<b>Note 14. Provisions</b>		
<b>Current:</b>		
<b>Provision for annual leave</b>	<b>11,993</b>	<b>12,357</b>
<b>Non-Current:</b>		
<b>Provision for long service leave</b>	<b>3,478</b>	<b>3,176</b>

## Note 15. Contributed equity

1,030,855 ordinary shares fully paid (2015: 1,030,855)	1,030,855	1,030,855
Less: equity raising expenses	(27,963)	(27,963)
	<b>1,002,892</b>	<b>1,002,892</b>

### 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**<sup>®</sup> 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).

#### (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.

# Notes to the financial statements (continued)

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## Note 15. Contributed equity (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 274. As at the date of this report, the company had 303 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.

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Note 16. Accumulated losses</b>		
Balance at the beginning of the financial year	(901,223)	(804,525)
Net loss from ordinary activities after income tax	(79,669)	(96,698)
<b>Balance at the end of the financial year</b>	<b>(980,892)</b>	<b>(901,223)</b>

## Notes to the financial statements (continued)

	2016 \$	2015 \$
<b>Note 17. Statement of Cash Flows</b>		
Reconciliation of loss from ordinary activities after tax to net cash used in operating activities		
Loss from ordinary activities after income tax	(79,669)	(96,698)
Non cash items:		
- depreciation	11,609	15,778
- amortisation	19,888	22,002
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(16,803)	12,506
- increase/(decrease) in payables	(392)	(3,497)
- increase/(decrease) in provisions	(62)	(5,003)
<b>Net cash flows used in operating activities</b>	<b>(65,429)</b>	<b>(54,912)</b>

## Note 18. Leases

Operating lease commitments

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

Payable - minimum lease payments:

- not later than 12 months	77,216	49,030
- between 12 months and 5 years	283,126	-
- greater than 5 years	-	-
	<b>360,342</b>	<b>49,030</b>

The real estate leases are non-cancellable leases with a five-year term, with rent payable monthly in advance. The current leases were renewed in February for a further 5 years

## Note 19. Auditor's remuneration

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

- audit and review services	4,100	3,950
- share registry services	1,755	1,750
- other non audit services	1,800	1,650
	<b>7,655</b>	<b>7,350</b>

# Notes to the financial statements (continued)

## Note 20. Director and related party disclosures

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

Nicholas John Roberts  
Colin Stanley Forsyth  
Anthony David Wiltshire  
Mary Rose Morgan  
Geoffrey Ian Kidd  
Kaye Meredith Young  
Robert Victor Anderson  
Graham Hubbard (Appointed 23 November 2015)  
Lisa Jillian Gould (Appointed 26 July 2015)  
Barry Norman Kirkpatrick (Resigned 26 July 2016)  
Alva Hemming (Appointed 22 December 2015, Resigned 11 July 2016)  
Andrew James Taber (Resigned 31 December 2015)  
Maureen Therese Gregory (Appointed 22 June 2015, Resigned 9 July 2015)

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

	2016	2015
<b>Directors' shareholdings</b>		
Nicholas John Roberts	20,001	20,001
Colin Stanley Forsyth	2,000	2,000
Anthony David Wiltshire	40,000	40,000
Mary Rose Morgan	1	1
Geoffrey Ian Kidd	2,001	2,001
Kaye Meredith Young	1,000	1,000
Robert Victor Anderson	2,000	2,000
Graham Hubbard (Appointed 23 November 2015)	-	-
Lisa Jillian Gould (Appointed 26 July 2015)	-	-
Barry Norman Kirkpatrick (Resigned 26 July 2016)	3,001	3,001
Alva Hemming (Appointed 22 December 2015, Resigned 11 July 2016)	-	-
Andrew James Taber (Resigned 31 December 2015)	2,001	2,001
Maureen Therese Gregory (Appointed 22 June 2015, Resigned 9 July 2015)	-	-

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

## 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.



## Notes to the financial statements (continued)

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	2016 \$	2015 \$
<b>Note 22. Earnings per share</b>		
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(79,669)	(96,698)
<hr/>		
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,030,855	1,030,855

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### 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**<sup>®</sup> services in Mount Martha, 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**

74 Dandenong Road West  
Frankston VIC 3199

**Principal Place of Business**

Shop 5A 7 Bay Road  
Mount Martha VIC 3934

# Notes to the financial statements (continued)

## 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.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 %	2015 %
<b>Financial assets</b>												
Cash and cash equivalents	12,335	12,740	147	143	-	-	-	-	-	-	4.38	2.64
Receivables	-	-	-	-	-	-	-	-	38,392	26,683	N/A	N/A
<b>Financial liabilities</b>												
Interest bearing liabilities	122,642	44,058	-	-	-	-	-	-	-	-	3.86	2.78
Payables	-	-	-	-	-	-	-	-	4,924	10,738	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.

# Notes to the financial statements (continued)

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## Note 27. Financial instruments (continued)

### Sensitivity Analysis (continued)

As at 30 June 2016, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Change in profit/(loss)		
Increase in interest rate by 1%	(1,102)	(312)
Decrease in interest rate by 1%	1,102	312
Change in equity		
Increase in interest rate by 1%	(1,102)	(312)
Decrease in interest rate by 1%	1,102	312

# Directors' declaration

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In accordance with a resolution of the directors of Mount Martha Community Enterprises Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



**Nicholas John Roberts,**  
**Chairman**

Signed on the 19th of September 2016.

# Independent audit report

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## Independent auditor's report to the members of Mount Martha Community Enterprises Ltd

### Report on the financial report

We have audited the accompanying financial report of Mount Martha Community Enterprises Ltd, which comprises the balance sheet as at 30 June 2016, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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

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

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# Independent audit report (continued)

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## Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

## Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss before tax of \$79,669 during the year ended 30 June 2016, further reducing the company's net assets to \$22,000. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

## Auditor's opinion on the financial report

In our opinion:

1. The financial report of Mount Martha Community Enterprises Ltd is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2016 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated: 19 September 2016



**David Hutchings**  
Lead Auditor

Mount Martha **Community Bank**<sup>®</sup> Branch  
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