Mount Martha
Community
Enterprises Ltd

ABN 25 142 190 949

2018 **Annual Report**

Mount Martha **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2018

Ladies and gentlemen, this is my seventh report on the progress of your bank, the Mount Martha **Community Bank**® Branch.

The financial statements are included with this report and you will see that they show a significantly more satisfactory performance than in the seven prior years. I urge you to read carefully through them as they give an insight into the positive financial progress that has been made over the past 12 months. Should you have any questions the Deputy Chair of the Governance Audit and Finance Committee Geoff Kidd is happy to address them.

Last year I told you that the company's performance continued to be ahead of prospectus expectations and that as at 30 June 2017 it had made a profit, albeit small. I am pleased to be able to tell you that this year after eight years trading, the company's performance has continued to improve, and it has made a profit before tax of $91,520.

As at the close of business 30 June 2018 your bank's footings had grown to $110 million.

As shareholders you have been extremely patient waiting for a dividend on your investment. Your company's franchise agreement with Bendigo and Adelaide Bank Limited states that up to 20% of the profit may be distributed as dividends to you the company shareholders, leaving 80% of the company's profit to be distributed to the Mount Martha community. Your Board has resolved to declare a small dividend of 2.25 cents per share.

The dividend amount for many shareholders will not amount to a great deal, but I hope that you will see the dividend as a sign of what the future holds for Mount Martha **Community Bank**® Branch, the Mount Martha community and your investment. Mount Martha **Community Bank**® Branch has contributed $180,000 to local projects, clubs, and charities over the past eight years.

It is proposed that dividend payments be made within the next few weeks and I urge any of you who have not already registered your electronic banking details with the branch to do so as quickly as you can. Dividends will only be paid electronically to your nominated bank account as the Board considers this the most efficient and cost-effective method.

Mount Martha **Community Bank**® Branch's success in the past 12 months has been due to the efforts of our Branch Manager Kerry Debernardi and his team Stacey, Kim, Narelle and Sarah. I congratulate them for their success and on your behalf thank them for the effort that they have put in to achieving that success.

We have had two changes of staff during the past 12 months. Melanie, after returning from maternity leave, was offered a position with her family's business and Jeannie one of our long-term employees decided that for her the time to retire had arrived. I wish them both well in their future endeavors.

A review of our over-the-counter business has confirmed what your Board had already suspected, and what has become apparent with the major banks, that over-the-counter business has dropped significantly in the last two years and continues to show a significant decline. Taking that into account, it was Kerry's recommendation to the Board which recommendation has been accepted that Jeannie's position not be filled.

Melanie's position as Customer Relationship Officer has been filled by Sarah and I welcome her as a member of Kerry's team.

During the year three Directors retired; Graham Hubbard who worked tirelessly to bring the company into profit decided that it was time to move on to a new challenge; Robert Anderson, a long serving Director and Chairman of the Governance Audit and Finance Committee was offered the position of Director with a northern Victorian financial institution and regrettably formed the view that his new position had the potential to create a conflict of interest; and Pauline Jacob with her family, moved to Vietnam to support her husband's ongoing research into airborne viral infections. Their retirement from your Board is a great loss. I wish them all well for the future.

Chairman's report (continued)

Their positions have been filled by Ken Anderson, a retired proprietor of a successful fertilizer manufacturing and distributing business, Alan Desselss a retired company CEO, and John Schubert a former newsagent who prior to purchasing his news agency business had a senior role with the REIV Building Society which became the Bank of Melbourne.

You will be asked to ratify their appointments this evening. I welcome them to your Board.

The last 12 months has seen the release of the Sedgwick Report into bank remuneration and reward practices. Bendigo and Adelaide Bank Limited, our franchisor, has accepted the 21 recommendations as does your Board.

The Royal Commission continues, and a number of the nation's banking and financial institutions have come under significant criticism to date. We await the final report and the recommendations stemming there from.

As a consequence of the many matters that have come out at the Royal Commission, I think it likely that there may be significant changes in banking in Australia in coming months and years. These changes are likely to impact upon all financial institutions in the way that they do their business.

The next 12 months are likely to be tough for your bank. There are two ways that you could help and contribute to your bank's success.

If you do not already bank with Mount Martha **Community Bank**® Branch, please consider moving your banking business to the **Community Bank**® branch. Please spread the word amongst your family and friends that at Mount Martha you and they have access to great banking products and enjoy premium customer service, which I believe rivals any bank in the country. There is however a deeper satisfaction in knowing your banking is making great things happen in our community.

Good governance is essential for the success of your company and good governance can only come from the leadership of a good, hard-working Board. The Constitution of your Board rests solely in your hands as shareholders and I urge you to consider either nominating yourself or nominating someone that you know and respect as a Director. I believe that it is essential that your Board is reflective of your community and we continue to develop diversity and continue to address this.

I am confident that we as Directors, shareholders, staff and community can all look forward optimistically to 2019 and beyond.

Nick Roberts
Chairman

Manager's report

For year ending 30 June 2018

Welcome to all members of the Mount Martha **Community Bank**® Branch community.

It is with pleasure I inform you that your business has continued to grow over the past 12 months, returning a profit and now in a position to declare a dividend.

The business:

- Deposits grew by $3.387 million – an increase by 6.93%
- Lending grew by $7.365 million – an increase by 18.72%
- Other Products grew by $5.166 million – an increase by 54.16%
- Overall business growth by 15.918 million – an increase by 16.29%
- Total footings grew to $113.5 million – an increase by 16.29%.

The staff have worked feverishly in engaging and building relationships with our customer base which has eventuated in this business growth. I am very appreciative of the efforts of Stacey, Kim, Narelle and our recently appointed Customer Relationship Officer Sarah, who joined us from Carrum Downs **Community Bank**® Branch. Not only do we welcome Sarah, but also acknowledge Jeannie and Mel for their contributions before leaving and taking up their involvements in respective family businesses. This team has adopted and engaged in the transition to being more consultative to meet the changing needs of banking.

The branch has again gained recognition during the year, for the thorough approach our team takes to protecting our customers' wealth. It is our personal service and building of relationships that forms our point of difference. This is something we are proud of and committed to continue.

Our charter continues to be that "Our aim is to be an integral and respected part of our community" and our total sponsorship and grants of $180,000 since opening the doors has supported many local organisations and clubs. Money has been well spent on supporting local environment groups; the installation of an electronic scoreboard, the building of an environmental educational garden at a Primary School, our heart loved Story Dogs, Lucy, who aids primary school children overcome their reading literacy inhibitions and providing Christmas Dinner for those people without family and friends, just to list a few.

We have experienced very good growth over the past two years and wish to continue this trend. Whether you be a shareholder, a Director or a staff member we can all be advocates for the Mount Martha **Community Bank**® Branch and contribute to ensure our business succeeds and community prospers.

If you or your family do not bank with Mount Martha **Community Bank**® Branch, I ask the question "What do we need to do to give you a better banking experience?" The staff and I welcome the opportunity and challenge of meeting your banking needs. We are a franchise of Bendigo and Adelaide Bank Limited, the fifth biggest retail bank in Australia and in the top 60 publicly listed companies in Australia.

My many thanks to the Board for their ongoing support and members of Bendigo and Adelaide Bank Limited who I rely upon to be able to deliver the best product and results we can.

Kerry Debernardi
Branch Manager

Directors' report

For the financial year ended 30 June 2018

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

Directors

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

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 practices 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 and Human Resources Committee

Interest in shares: 20,001

Colin Stanley Forsyth

Treasurer

Occupation: Retired accountant

Experience & expertise: Colin has an accounting diploma and has worked 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 during that time.

Special responsibilities: Chair Governance, Audit and Finance Committee

Interest in shares: 2,000

Geoffrey Ian Kidd

Secretary

Occupation: Accountant

Experience & expertise: Geoffrey has been principal of P R Jennings & Co, Certified Practicing Accountants for over 20 years. He holds a degree in economics and has a Practicing 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 centered on the Mornington Peninsula.

Special responsibilities: Deputy Chair, Audit and Governance Sub Committee

Interest in shares: 2,001

Mary Rose Morgan

Director

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 work for the Melbourne Bach Choir, the Australian Suicide Prevention Foundation and the Mount Martha **Community Bank**® Branch.

Special responsibilities: Human Resources, Asset Management Committee

Interest in shares: 1

Directors (continued)

Lisa Jillian Gould

Director

Occupation: Admin/ Business Manager

Experience & expertise: Over 19 years banking experience with one of Australia's top four banks. Currently managing the day to day running of a small/medium family owned business. Member of MMYC and Berg.

Special responsibilities: Marketing Committee

Interest in shares: Nil

Kenneth Scott Anderson

Director (Appointed 31 October 2017)

Occupation: Retired

Experience & expertise: Ken Anderson has had extensive experience in journalism, small business and marketing communication. He was required to hold skills in media management, advertising, video and print production, quantitative market research and management of web based communication. His marketing communication consultancy (APR Productions Pty Ltd) operated in Melbourne from 1987-2005 and provided counselling to leading national organisations in Australia in the financial service sector, manufacturing and CSIRO, among others. With his wife Shona he has owned four businesses; marketing consultancy, two coffee shops and a small primary industry focused manufacturing company. He founded Excel Crop, a manufacturer of liquid fertiliser from recycled raw material for Australian farmers which traded successfully for 18 years until its sale in 2017. Ken's first career was in Journalism. He was employed as a senior political reporter for Radio New Zealand before shifting with his young family to Australia in 1979. In Australia he worked for the ABC, and SBS in news and producing sports packages for network programing. Ken worked principally for Network 10 News as its State Political Reporter covering State and Federal Politics and for some years as summer News Chief of Staff. Before shifting to Australia he graduated with a Bachelor's degree in Political Science from Otago University in New Zealand. During his career as a journalist he won awards in NZ and Australia. He is the author of one book and has numerous short poems published in various publications overseas and in Australia. He played rugby in NZ as a youngster and for more than 30 years played and coached indoor basketball at various levels. He has been active in the Liberal Party for 35 years where he has served as Branch President of several branches, founded one new Branch and was a Federal Electorate Chairman for some years conducting the campaign which won the seat of Aston from the Labour Party by Prime Minister John Howard in 2001. Ken is skilled in developing and marketing communications strategies focused on deliverable, measurable, business outcomes. He joins the Board of Mount Martha **Community Bank**® Branch as a non-shareholding Director to assist the bank continue its growth. He is an Australian citizen and has retired with Shona to Mount Martha.

Special responsibilities: Chair Marketing & Business Development Committee

Interest in shares: Nil

Alan Douglas Desselss

Director (Appointed 23 April 2018)

Occupation: Business Consultant

Experience & expertise: Extensive leadership experience in Australia and abroad. Graduate from AICD. Alan is recognised for his exceptional skills in leadership, strategy development and implementation, culture change and crisis management

Special responsibilities: Chair of Assets and Human Resource Committee

Interest in shares: Nil

Directors (continued)

Wilfred John Schubert

Director (Appointed 28 August 2018)

Occupation: Retired

Experience & expertise: Retail: Operated a newsagency with Tattslotto Licence and Post Office. Banking experience with Resi State and Heine Mangement

Special responsibilities: Marketing & Business Development Committee

Interest in shares: Nil

Pauline Rita Jacob

Director (Resigned 1 July 2018)

Occupation: Director (Melbourne Water)

Qualifications, experience and expertise: Executive Director (Melbourne Water) Manager Oceanagold; General Manager at Shell B. Ap. Sc (Env) Master Sc. (Env management). Former Director at Division of General Practice Ipswitch and West Moreton.

Special responsibilities: Marketing Committee

Interest in shares: Nil

Robert Victor Anderson

Director (Resigned 26 April 2018)

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: Governance, Audit and Finance Committee

Interest in shares: 2,000

Anthony David Wiltshire

Director (Resigned 27 March 2018)

Occupation: Retired

Experience & expertise: Former founder and 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 Capitan and President of the Peninsula Country Golf Club and current Board member of that entity.

Special responsibilities: Assets and Human Resources Committee

Interest in shares: 40,000

Graham Lindsay Hubbard

Director (Resigned 31 January 2018)

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.

Special responsibilities: Marketing & Business Development Committee

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

There were two company secretaries this financial year, Mary Rose Morgan and Geoffrey Ian Kidd took over in April.

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 Practicing Accountant since 1986. She has had a long career in industrial relations as a senior manager and deputy CEO of a professional medical organisation and has had a private practice as a tax agent. She now has a proofreading and web design business.

Geoffrey was appointed to the position of secretary on 23 April 2018.

Principal Activities

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

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

Operating results

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

	Year ended 30 June 2018 $	Year ended 30 June 2017 $
Profit/(loss) before income tax credit	91,520	5,103
Income tax credit (See note 6)	(25,168)	245,490
Profit/(loss) after income tax credit	66,352	250,593

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' 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	11	10
Colin Stanley Forsyth	11	11
Geoffrey Ian Kidd	11	11
Mary Rose Morgan	11	8
Lisa Jillian Gould	11	11
Kenneth Scott Anderson (Appointed 31 October 2017)	8	7
Alan Douglas Desselss (Appointed 23 April 2018)	3	3
Wilfred John Schubert (Appointed 28 August 2018)	-	-
Pauline Rita Jacob (Resigned 1 July 2018)	11	8
Robert Victor Anderson (Resigned 26 April 2018)	9	8
Anthony David Wiltshire (Resigned 26 March 2018)	7	2
Graham Lindsay Hubbard (Resigned 31 January 2018)	6	3

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

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

Auditor's independence declaration

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

Signed in accordance with a resolution of the board of directors at Mount Martha, Victoria on 25 September 2018.

Geoffrey Ian Kidd,
Deputy Chair

Auditor's independence declaration

Partners in success
Chartered Accountants

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

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

As lead auditor for the audit of Mount Martha Community Enterprises Ltd for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 25 September 2018

David Hutchings
Lead Auditor

Financial statements

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

	Notes	2018 $	2017 $
Revenue from ordinary activities	4	713,544	635,112
Employee benefits expense		(342,405)	(360,416)
Charitable donations, sponsorship, advertising and promotion		(26,452)	(18,823)
Occupancy and associated costs		(118,736)	(111,535)
Systems costs		(30,049)	(29,960)
Depreciation and amortisation expense	5	(21,635)	(23,034)
Finance costs	5	(2,626)	(4,524)
General administration expenses		(80,121)	(81,717)
Profit before income tax		**91,520**	**5,103**
Income tax (expense)/credit	6	(25,168)	245,490
Profit after income tax		**66,352**	**250,593**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**66,352**	**250,593**

Earnings per share		**¢**	**¢**
Basic earnings per share	22	6.44	24.31

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2018

	Notes	2018 $	2017 $
ASSETS			
Current assets			
Cash and cash equivalents	7	12,192	12,234
Trade and other receivables	8	57,374	53,053
Total current assets		**69,566**	**65,287**
Non-current assets			
Property, plant and equipment	9	44,079	50,413
Intangible assets	10	84,319	97,876
Deferred tax asset	11	220,322	245,490
Total non-current assets		**348,720**	**393,779**
Total assets		**418,286**	**459,066**
LIABILITIES			
Current liabilities			
Trade and other payables	12	44,126	57,593
Borrowings	13	5,529	86,417
Provisions	14	12,685	6,967
Total current liabilities		**62,340**	**150,977**
Non-current liabilities			
Trade and other payables	12	14,912	29,824
Provisions	14	2,089	5,672
Total non-current liabilities		**17,001**	**35,496**
Total liabilities		**79,341**	**186,473**
Net assets		**338,945**	**272,593**
EQUITY			
Issued capital	15	1,002,892	1,002,892
Accumulated losses	16	(663,947)	(730,299)
Total equity		**338,945**	**272,593**

The accompanying notes form part of these financial statements.

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

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2016	1,002,892	(980,892)	22,000
Total comprehensive income for the year	-	250,593	250,593
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2017	**1,002,892**	**(730,299)**	**272,593**
Balance at 1 July 2017	1,002,892	(730,299)	272,593
Total comprehensive income for the year	-	66,352	66,352
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2018	**1,002,892**	**(663,947)**	**338,945**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		773,792	687,366
Payments to suppliers and employees		(675,283)	(630,224)
Interest received		265	284
Interest paid		(2,626)	(4,524)
Net cash provided by operating activities	**17**	**96,148**	**52,902**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,746)	(3,369)
Payments for intangible assets		(13,556)	(13,556)
Net cash used in investing activities		**(15,302)**	**(16,925)**
Net increase in cash held		**80,846**	**35,977**
Cash and cash equivalents at the beginning of the financial year		(74,183)	(110,160)
Cash and cash equivalents at the end of the financial year	**7(a)**	**6,663**	**(74,183)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2018

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2017, and are therefore relevant for the current financial year.

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

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

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

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

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

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

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

a) Basis of preparation *(continued)*

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating leases of its branches. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to $246,373, on an undiscounted basis (see Note 18).

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** 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®** branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

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

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

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

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

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

b) Revenue

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

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

b) Revenue *(continued)*

Revenue calculation

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

Margin is paid on all core banking products. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.

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

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products.

Fee income

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

Discretionary financial contributions

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

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

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

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

b) Revenue *(continued)*

Ability to change financial return

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

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

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

c) Income tax *(continued)*

Deferred tax (continued)

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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	5 - 15	years
- plant and equipment	2.5 - 40	years

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

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

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

Impairment

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

l) Leases

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

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

l) Leases *(continued)*

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

m) Provisions

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

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

n) Issued capital

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

Note 2. Financial risk management *(continued)*

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2018 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

Impairment of assets

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

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

Impairment of assets (continued)

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.

Note 4. Revenue from ordinary activities

	2018	2017
	$	$
Operating activities:		
- gross margin	581,571	492,060
- services commissions	56,135	61,660
- fee income	40,732	40,489
- ATM income	4,841	5,619
- market development fund	30,000	35,000
Total revenue from operating activities	713,279	634,828
Non-operating activities:		
- interest received	265	284
Total revenues from ordinary activities	713,544	635,112

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	3,606	4,268
- leasehold improvements	4,473	5,210
Amortisation of non-current assets:		
- franchise agreement	2,259	2,259
- franchise renewal fee	11,297	11,297
	21,635	23,034
Finance costs:		
- interest paid	2,626	4,524
Bad debts	94	31

Note 6. Income tax expense/(credit)	Notes	2018	2017
		$	$
The components of tax expense/(credit) comprise:			
- Recoupment of prior year losses		25,077	1,522
- Movement in deferred tax		91	(118)
- Future income tax benefit attributable to losses brought to account		-	(246,894)
		25,168	(245,490)
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense/(credit) as follows			
Operating profit		91,520	5,103
Prima facie tax on profit from ordinary activities at 27.5% (2016: 27.5%)		25,168	1,404
Add tax effect of:			
- timing difference expenses		(91)	118
		25,077	1,522
Movement in deferred tax		91	(118)
Future income tax benefit attributable to losses brought to account		-	(246,894)
		25,168	(245,490)

Note 7. Cash and cash equivalents			
Cash at bank and on hand		12,038	12,083
Term deposits		154	151
		12,192	12,234

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		12,038	12,083
Term deposits		154	151
Bank overdraft	13	(5,529)	(86,417)
		6,663	(74,183)

Note 8. Trade and other receivables	2018	2017
	$	$
Trade receivables	48,734	44,080
Prepayments	8,640	8,973
	57,374	53,053

Note 9. Property, plant and equipment		
Leasehold improvements		
At cost	81,206	81,206
Less accumulated depreciation	(55,869)	(51,396)
	25,337	29,810
Plant and equipment		
At cost	78,188	76,442
Less accumulated depreciation	(59,446)	(55,839)
	18,742	20,603
Total written down amount	44,079	50,413

Movements in carrying amounts:

Leasehold improvements		
Carrying amount at beginning	29,811	33,672
Additions	-	1,349
Less: depreciation expense	(4,473)	(5,210)
Carrying amount at end	25,338	29,811
Plant and equipment		
Carrying amount at beginning	20,602	22,849
Additions	1,746	2,021
Less: depreciation expense	(3,607)	(4,268)
Carrying amount at end	18,741	20,602
Total written down amount	44,079	50,413

Note 10. Intangible assets

	2018	2017
	$	$
Franchise fee		
At cost	21,297	21,297
Less: accumulated amortisation	(15,084)	(12,824)
	6,213	8,473
Renewal processing fee		
At cost	56,484	56,484
Less: accumulated amortisation	(25,418)	(14,121)
	31,066	42,363
Redomicile fee	47,040	47,040
Total written down amount	84,319	97,876

Note 11. Tax

Non-Current:

	2018	2017
Deferred tax assets		
- accruals	826	1,505
- employee provisions	4,063	3,475
- tax losses carried forward	215,433	240,510
Net deferred tax asset	220,322	245,490

Note 12. Trade and other payables

Current:

	2018	2017
Trade creditors	9,757	4,954
Other creditors and accruals	34,369	52,639
	44,126	57,593

Non-Current:

	2018	2017
Other creditors and accruals	14,912	29,824

Note 13. Borrowings

Current:

	2018	2017
Bank overdrafts	5,529	86,417

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.

Note 14. Provisions	2018	2017
	$	$
Current:		
Provision for annual leave	7,935	6,967
Provision for long service leave	4,750	-
	12,685	6,967
Non-Current:		
Provision for long service leave	2,089	5,672

Note 15. Issued capital		
1,030,855 ordinary shares fully paid (2017: 1,030,855)	1,030,855	1,030,855
Less: equity raising expenses	(27,963)	(27,963)
	1,002,892	1,002,892

Rights attached to shares

(a) *Voting rights*

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** branch have the same ability to influence the operation of the company.

(b) *Dividends*

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

Note 15. Issued capital *(continued)*

(c) *Transfer*

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001*.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 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.

Note 16. Accumulated losses

	2018	2017
	$	$
Balance at the beginning of the financial year	(730,299)	(980,892)
Net profit from ordinary activities after income tax	66,352	250,593
Balance at the end of the financial year	(663,947)	(730,299)

Note 17. Statement of cash flows

	2018	2017
	$	$
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	66,352	250,593
Non cash items:		
- depreciation	8,079	9,478
- amortisation	13,556	13,556
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(4,321)	(8,804)
- (increase)/decrease in other assets	25,168	(245,490)
- increase/(decrease) in payables	(14,821)	36,401
- increase/(decrease) in provisions	2,135	(2,832)
Net cash flows provided by operating activities	96,148	52,902

Note 18. Leases

	2018	2017
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	92,390	85,006
- between 12 months and 5 years	153,983	226,683
	246,373	311,689

The lease for 5A Bay road is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The current leases were renewed in February 2016 for a further 5 years, with the option of one further term.

The lease for 7 Bay road is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The current leases were renewed in February 2016 for a further 5 years, with the option of one further term.

Note 19. Auditor's remuneration

	2018	2017
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,400	4,200
- share registry services	1,885	1,885
- non audit services	2,310	1,805
	8,595	7,890

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
Geoffrey Ian Kidd
Mary Rose Morgan
Lisa Jillian Gould
Kenneth Scott Anderson *(Appointed 31 October 2017)*
Alan Douglas Desselss *(Appointed 23 April 2018)*
Wilfred John Schubert (Appointed 28 August 2018)
Pauline Rita Jacob *(Resigned 1 July 2018)*
Robert Victor Anderson *(Resigned 26 April 2018)*
Anthony David Wiltshire *(Resigned 26 March 2018)*
Graham Lindsay Hubbard *(Resigned 31 January 2018)*

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.

Directors Shareholdings	2017	2016
Nicholas John Roberts	20,001	20,001
Colin Stanley Forsyth	2,000	2,000
Geoffrey Ian Kidd	2,001	2,001
Mary Rose Morgan	1	1
Lisa Jillian Gould	-	-
Kenneth Scott Anderson *(Appointed 31 October 2017)*	-	-
Alan Douglas Desselss *(Appointed 23 April 2018)*	-	-
Wilfred John Schubert (Appointed 28 August 2018)		
Pauline Rita Jacob *(Resigned 1 July 2018)*	-	-
Robert Victor Anderson *(Resigned 26 April 2018)*	2,000	2,000
Anthony David Wiltshire *(Resigned 26 March 2018)*	40,000	40,000
Graham Lindsay Hubbard *(Resigned 31 January 2018)*	-	-

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.

Note 22. Earnings per share	2018	2017
	$	$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	66,352	250,593
	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

In the 2016/17 financial year the company brought to account a deferred tax asset which resulted in a large income tax credit being recognised in the income statement. The earnings per share value was affected dramatically by this because of the deferred tax asset's introduction, the earnings per share for the year ending 30 June 2017 was 24.31 cents. If the income tax credit was not recognised in 2017 the year, profit after tax income tax would have been $3,699, and earning per share would have been 0.36 cents. A deferred tax asset represents the carried forward losses from previous years and the benefits will be realised as the company continues to make a taxable profit. This profit will be offset against the carried forward losses and no tax will be paid until all the losses have been utilised.

Note 23. Events occurring after the reporting date

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

Note 24. Contingent liabilities and contingent assets

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

Note 25. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in 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	Principal Place of Business
74 Dandenong Road West	Shop 5A 7 Bay Road
Frankston VIC 3199	Mount Martha VIC 3934

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					
	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 %	2017 %
Financial assets												
Cash and cash equivalents	12,028	12,073	154	151	-	-	-	-	10	10	2.01	1.94
Receivables	-	-	-	-	-	-	-	-	48,734	44,080	N/A	N/A
Financial liabilities												
Interest bearing liabilities	5,529	86,417	-	-	-	-	-	-	-	-	4.57	4.05
Payables	-	-	-	-	-	-	-	-	9,757	4,954	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.

As at 30 June 2018, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2018 $	2017 $
Change in profit/(loss)		
Increase in interest rate by 1%	67	(742)
Decrease in interest rate by 1%	(67)	742
Change in equity		
Increase in interest rate by 1%	67	(742)
Decrease in interest rate by 1%	(67)	742

Directors' declaration

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 2018 and of its performance for the financial year ended on that date; and

  (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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

Geoffrey Ian Kidd,
Deputy Chair

Signed on the 25th of September 2018.

Partners in success
Chartered Accountants

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

Report on the audit of the financial statements

Our opinion
In our opinion, the financial report of Mount Martha Community Enterprises Ltd is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
ii. complying with Australian Accounting Standards.

What we have audited
Mount Martha Community Enterprises Ltd's (the company) financial report comprises the:

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

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

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

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

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

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report so that it gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 25 September 2018

David Hutchings
Lead Auditor

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