



Annual Report 2015

Mt Eliza Community
Enterprise Limited

ABN 18 139 499 326

Mt Eliza **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2015

It is with great pleasure that I present our Annual Report for the 2014–15 financial year.

I am delighted to announce that at 30 June 2015 the company has posted an annual operating profit of \$22,171. This is following our strong first half result that I communicated to shareholders in March.

This has come as a result of a concerted effort by both the Board and the branch staff to move the business into a new phase of growth and profitability in this, its fifth year of operation.

Our Mt Eliza **Community Bank**[®] Branch operates in a highly competitive environment which demands focus, commitment and a mix of modern skills around our Board table. It has also required exceptional customer service, product knowledge and excellence from our staff. I thank the whole team for the work they have put in this year. We are all passionate believers in the **Community Bank**[®] model and the value it can bring to our community.

At the 2014 Annual General Meeting (AGM), I outlined to shareholders the Board's vision and strategy, and the company has executed on this in achieving a profit for the full year. However, our challenge remains, to drive long-term sustainable growth and profitability, to realise the Board's long-term strategic objectives.

The Board has continued to implement our succession plan which commenced in 2013 and there have been further Board changes throughout the year. In October the Board accepted the resignation of long-serving member and former Company Secretary, Ken Sleep. Ken was an outstanding member of the team and of the original Steering Committee. His wisdom and counsel will be missed and we thank him for his contribution. In December 2014, the Board accepted the resignation of Treasurer Sean Limpens. I thank Sean for the contribution he has made to the company. The Board elected Rob Gauci to take over the role of Treasurer and there has been a well-managed transition of the responsibilities.

Jo Horton joined the Board in April and brings with her a wealth of skills and experience in human resources and leadership development.

Jessica Bayne joined the company as Branch Manager in February 2015. Jess has been an exceptional addition to our team and her enthusiasm and diligence has been outstanding. I thank Jess for invigorating the branch and leading the staff team so admirably. I thank the entire branch team for their efforts and work this year. They are the public face of our company and have been instrumental in our good result.

This year the Board published its first Strategic Plan, available on our website, which will form the blue print for the future of the company, assisting in focusing efforts and redefining goals. The Board has also refreshed our committee structure, establishing clear terms of reference for our Human Resources, Business Development, Audit & Risk, Tenancy and Governance Committees. Our Marketing & Sponsorship Committee has continued to drive our communications and marketing, delivering our key messages and sharing our story.

At the end of the year our branch had returned \$123,000 to our local community through schools, clubs, grants and community initiatives. To date this has been done with the support of Bendigo Bank's Marketing Development Fund. Our primary message remains that the more our business grows, the more we can re-invest. We must reinforce this and sell the **Community Bank**[®] concept at every opportunity.

I encourage you to continue to bring and drive banking and insurance business to our Mt Eliza **Community Bank**[®] Branch. Help us spread the word that local banking keeps our communities strong and prosperous.

The Board and I look forward to the next 12 months and we will continue to work hard to consolidate our current performance and continue to drive the development of the company.

I welcome your feedback and comments to reagan@mece.com.au and invite you to contact me at any time. I sincerely thank you for your ongoing support.



Reagan H. Barry
Chairman

Branch Manager's report

For year ending 30 June 2015

What a year it has been for our Mt Eliza **Community Bank®** Branch.

I officially joined the branch in February 2015 and we have had a very solid six months to June 2015. As the Chairman has noted, the branch posted a very meaningful profit for the 2014–15 year.

My thanks go to my predecessor, Chris Watson, for leading the branch team and contributing so much to our community relationships. Chris has been a tireless ambassador for us and we wish him all the very best in the future as he pursues his own business interests. It was an honor to follow in his footsteps at the branch.

Congratulations to the branch staff: Trish, Cheryl, Jasmine and Melissa. They have played a huge part in delivering our positive outcome for the financial year. Their commitment to customer service excellence has been outstanding. It's very gratifying to see the branch team work so well together and to develop and grow their skills and knowledge.

The Board's Human Resources Committee, notably Paul Andrews and Jo Horton, have worked closely with us to focus our efforts and develop our team's skills and community interests. I thank the committee for their help and guidance. Our team is increasingly dynamic, efficient and effective because of their efforts.

I would like to thank the Board, and in particular, the Chairman Reagan Barry for his guidance. It has been a great pleasure to work with Reagan and a group of talented local people who are so passionate about our community and the **Community Bank®** model. The Board have given me their confidence and support at every turn.

As at 30 June our branch had reinvested \$123,000 back into our local community. We've sponsored local sporting clubs, school programs and events, community activities and a range of initiatives that have made Mt Eliza and the local area a vibrant, community-focused and wonderful place to live and work. Investing in our local economy keeps it healthy and robust. It drives employment and development and we think the investment is increasingly important as the region grows.

We continue to work to build our community relationships and have expanded our efforts this year with presentations to many sporting club boards and members. We are expanding our communications and involvement with them. As always, our message is that the more our business grows, the more resources we have to pump back into their organisations and the wider community.

A particular passion of mine is our involvement with the younger members of our community. We are developing some great relationships with students from Mt Eliza Secondary College, and are working with them to facilitate their involvement in community and health and wellbeing initiatives. Seeing young people develop their skills and confidence has been extremely rewarding for me, and I look forward to continuing this valuable work with our local youth.

In March I was given the opportunity to join Bendigo Bank's 2015 Foundation Leadership Program (which leads to a Certificate IV in Frontline Management). I was delighted to be one of the few regional participants selected for the course. The program has been a wonderful experience and I've been able to bring plenty of new skills and knowledge back to our branch.

I'm very excited about the next 12 months. Our results to 30 June were gratifying, but we know that there's still plenty of work to do in order to build on and continue that growth.

Finally, I invite all our shareholders and members of the community to consider us for your banking and business needs. The branch team and I would be delighted to have the opportunity to help you.



Jessica Bayne
Branch Manager

Directors' report

For year ending 30 June 2015

Your directors submit the financial statements of the company for the financial year ended 30 June 2015.

Directors

Directors were in office for the entire year unless otherwise stated. No directors have material interests in contracts or proposed contracts with the company. The names and details of the company's directors who held office during or since the end of the financial year are:

Reagan Harrison Barry

Director/Chairman

Occupation: Finance Manager

Reagan holds a Bachelor of Commerce (Accounting), is studying for a Masters of Business (Banking and Finance) and works in the corporate sector as a Finance Manager. He is also a Non-Executive Director and Company Secretary of a capital raising development finance company and is a member of the Australian Institute of Company Directors. Reagan is Mt Eliza born and bred and is actively involved in a variety of organisations. He was elected to Board in June 2013, elected Deputy Chair in November 2013 and as Chair in April 2014. He is passionate about the Mt Eliza Community and keen to actively contribute to its growth and development.

Interest in shares: 1,000

Paul Anthony Andrews

Director

Chairman, Human Resources Committee

Occupation: Business Owner, Dogs Country Club

Paul is a part-owner in a busy local boarding kennel business. He spent three years in the Royal Australian Army and 22 years working for Kodak Australasia. Paul has a range of management skills from human resources to logistics. He has volunteered for a number of community organisations. He has a black belt in karate and spent seven years teaching its discipline and skills to young children. He was a committee member of the Melbourne Basket Brigade for five years – an organisation that provides hampers of food and toys to families in need at Christmas time.

Paul is a founding member of Mt Eliza Community Enterprise and served as the original Chair.

Interest in shares: 10,001

James Craig Batty

Director

Chairman, Marketing & Sponsorship Committee

Occupation: Director, Batty Property

James was born and raised in Mt Eliza. He was a high achiever at The Peninsula School, and is now a father

of two boys. James launched Batty Property in 2015 to meet the demand for his unique personalised service in professionally managed property investments. With a desire to achieve outstanding levels of service and excellence, and with skills acquired from working with some of the peninsula's best agents, James is building a unique real estate sales and management company with an unparalleled commitment to client service.

Interest in shares: 1,000

Robert Charles Gauci

Director/Treasurer

Chairman, Audit & Risk Committee

Occupation: Director, Port Phillip Group

Rob holds a Bachelor of Business (Accounting), is a Certified Practising Accountant and a Registered Tax Agent. He has had 27 years experience in business services. Rob is former treasurer and a life member of the Frankston Life Saving Club.

Interest in shares: 1,000

Alexandra Godfrey

Director

Occupation: Director, Fusebox Design

Alex has spent 20 years as a graphic designer and communications professional with a background in journalism, publishing and retail. She creates high quality content for communication and creative projects and helps her clients engage and inspire their audiences. Alex has created corporate identity work for the National Museum of Australia, the National Gallery of Australia and the Australian War Memorial. She has extensive experience publishing annual reports and financial documents for corporate clients as well as technical reports for the scientific community.

Alex is an experienced website developer and social media manager. She has a BA in Communications (Print Journalism) from Charles Sturt University and an Advanced Diploma in Graphic Design from Canberra Institute of Technology.

Interest in shares: 1,000

Directors' report (continued)

Directors (continued)

Joanne Horton

Director (Appointed 30 March 2015)

Occupation: Director, Mojo Leadership

Jo runs a strategic and commercially-driven learning and development consultancy which designs and facilitates leadership, team and individual programs for organisations of all shapes and sizes. She brings depth and breadth of experience to designing and delivering leadership programs and courses, drawing on her commercial experience. Jo has a strong emphasis on self-understanding and empathy with clients and customers. She helps to build confidence and capabilities in an organisation's people. Her workshops and courses drive and empower teams to set goals and understand their motivators and deliverables.

Jo has a Masters in Business (Training and Change Management) and formal accreditations to facilitate, train and coach in DiSC behavioural profiling and Myers Briggs Type Indicator (MBTI). She is also a member of the Australian Human Resources Institute (AHRI).

Interest in shares: nil

Peter John Hutchinson

Director (Appointed 28 July 2014)

Chairman, Business Growth Committee

Occupation: Company Director, Master Capital Group

Peter is an experienced business management executive. His company raises capital, plans and develops new projects in the construction industry. He has strong skills as a market analyst, team leader and manager of stakeholder relations. Peter has Diplomas in Business Management and Human Resource Management. He is an active supporter of a range of sport and health services organisations. Peter's passion is helping other people to build their future.

Interest in shares: 7,000

Sean Adam Limpens

Director/Treasurer (Resigned 31 October 2014)

Occupation: Director, BCV Financial Solutions

Sean graduated from Monash University in 1994 with a Bachelor of Business, majoring in Accounting. He has had extensive experience in accounting roles with major banks in Australia and the United Kingdom. Sean is an experienced financial controller in the small business sector. He is a Certified Practising Accountant and Registered Tax Agent, and since 2008 has run his own successful accounting and financial planning practice. Sean has been involved with several other **Community Bank**[®] branches and has an excellent understanding of the model.

Interest in shares: 2,001

Carolyn Jean Parker

Director/Company Secretary

Occupation: Company Director

Carolyn has extensive experience as an Independent Director and Committee Member in the private, government and not for profit sectors. She was Managing Director of the privately-owned Kador Group for 25 years until her retirement in 2013. Carolyn holds a Bachelor of Business from RMIT, is a member of the Australian Institute of Company Directors, a member of CPA Australia and a Fellow of the Financial Securities Institute of Australia. She has recently been awarded an Honorary Doctorate of Business by RMIT University. Carolyn is a Director of Queen Victoria Market and Chair of CFT Properties. She also sits on the Salvation Army's Property Advisory Committee and the Program Advisory Committee for RMIT's School of Property, Construction and Project Management.

Interest in shares: 2,000

Kenneth Malcolm Sleep

Director (Resigned 31 October 2014)

Occupation: Retired

Ken has extensive corporate governance experience. He was a Company Secretary of the FoodWorks supermarket group for a number of years. Prior to that, he had an extensive career with the Mayne Nickless Group, where he had administration, finance and company secretarial responsibilities. Ken was Group Company Secretary, involving broad secretarial responsibilities for the company and all its subsidiaries. He holds a Bachelor of Economics from Monash University and is a Fellow Certified Practising Accountant and a Fellow of the Chartered Institute of Secretaries.

Interest in shares: 3,001

Directors' report (continued)

Company Secretary

The company secretary is Carolyn Jean Parker. Carolyn was appointed to the position on 28 April, 2014. She has extensive experience as an Independent Director and Committee Member in the private, government and not for profit sectors. She holds a Bachelor of Business, is a member of the Australian Institute of Company Directors, as well as CPA Australia and the Financial Securities Institute of Australia.

Principal activities

The principal activities of the company during the course of the financial year were in 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 2015 \$ | Year ended 30 June 2014 \$ |
|--|----------------------------------|----------------------------------|
| | 22,171 | (158,462) |

Directors' remuneration

No Director receives remuneration for services as a Company Director or Committee Member.

There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity.

There are therefore no specified executives whose remuneration requires disclosure.

Directors' shareholdings

| | Balance at start of year | Changes during the year | Balance at end of year |
|-------------------|--------------------------------|-------------------------------|------------------------------|
| Reagan Barry | 1,000 | – | 1,000 |
| Paul Andrews | 10,001 | – | 10,001 |
| James Batty | 500 | 500 | 1,000 |
| Robert Gauci | 1,000 | – | 1,000 |
| Alexandra Godfrey | – | 1,000 | 1,000 |
| Jo Horton | – | – | – |
| Peter Hutchinson | 7,000 | – | 7,000 |
| Sean Limpens | 2,001 | – | 2,001 |
| Carolyn Parker | 2,000 | – | 2,000 |
| Ken Sleep | 3,001 | – | 3,001 |

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' report (continued)

Indemnification and insurance of directors and officers

The company has indemnified all directors and the Branch 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.

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.

Directors' meetings

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

| | Committee meetings | | | | | | | | | |
|------------------|--------------------|----------|------------|----------|-------------------------|----------|-----------------|----------|-----------------|----------|
| | Board meetings | | Governance | | Marketing & Sponsorship | | Business Growth | | Human Resources | |
| | Eligible | Attended | Eligible | Attended | Eligible | Attended | Eligible | Attended | Eligible | Attended |
| Reagan Barry | 12 | 12 | 3 | 3 | 10 | 7 | – | – | 2 | 1 |
| Paul Andrews | 12 | 12 | – | – | – | – | – | – | 2 | 2 |
| James Batty | 12 | 12 | – | – | 10 | 10 | – | – | – | – |
| Rob Gauci | 12 | 12 | – | – | – | – | 6 | 6 | – | – |
| Alex Godfrey | 12 | 12 | 3 | 2 | 10 | 10 | – | – | – | – |
| Jo Horton | 4 | 4 | – | – | – | – | 5 | 5 | 2 | 2 |
| Peter Hutchinson | 12 | 12 | – | – | – | – | 6 | 6 | – | – |
| Sean Limpens | 6 | 2 | – | – | – | – | – | – | – | – |
| Carolyn Parker | 12 | 11 | 3 | 3 | – | – | – | – | – | – |
| Ken Sleep | 3 | 1 | – | – | – | – | – | – | – | – |

| | Committee meetings | | | |
|------------------|--------------------|----------|--------------|----------|
| | Tenancy | | Audit & Risk | |
| | Eligible | Attended | Eligible | Attended |
| Reagan Barry | 3 | 3 | 1 | 1 |
| Paul Andrews | – | – | – | – |
| James Batty | 3 | 2 | – | – |
| Rob Gauci | – | – | 1 | 1 |
| Alex Godfrey | – | – | – | – |
| Jo Horton | – | – | – | – |
| Peter Hutchinson | 3 | 2 | – | – |
| Sean Limpens | – | – | – | – |
| Carolyn Parker | 3 | 3 | 1 | 1 |
| Ken Sleep | – | – | – | – |

Directors' report (continued)

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 (Ashfords Audit & Assurance) for audit and non audit services provided during the year are set out in the notes to the accounts.

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 audit committee 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 9.

Signed in accordance with a resolution of the board of directors at Mt Eliza, Victoria on 18 September 2015.



Reagan H. Barry
Chairman

Auditor's independence declaration



Ashfords Audit & Assurance Pty Ltd
ABN 52 138 965 241
Suite 12, 14 Garden Blvd
Dingley VIC 3172
P O Box 684
Braeside VIC 3195
613 9551 6692
info@ashfords.com.au

Mt Eliza Community Enterprise Limited

ABN 18 139 499 326

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 To the Directors of Mt Eliza Community Enterprise Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in 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.

Ashfords Audit and Assurance

Ashfords Audit and Assurance

A handwritten signature in black ink, appearing to read 'AW', written over a light blue horizontal line.

Andrew White

21 September 2015

Dingley



Liability limited under a scheme approved under professional standards legislation.

www.ashfords.com.au

Financial statements

Statement of Comprehensive income For year ending 30 June 2015

| | Notes | 2015 \$ | 2014 \$ |
|---|-------|---------------|------------------|
| Revenue from ordinary activities | 4 | 587,755 | 482,468 |
| Employee benefits expense | | (248,096) | (307,277) |
| Charitable donations, sponsorship, advertising and promotion | | (50,860) | (39,844) |
| Occupancy and associated costs | | (112,239) | (133,572) |
| Systems costs | | (33,294) | (35,159) |
| Depreciation and amortisation expense | 5 | (33,917) | (36,532) |
| Finance costs | 5 | (13,226) | (10,796) |
| General administration expenses | | (73,952) | (77,750) |
| Profit before income tax expense | | 22,171 | (158,462) |
| Income tax expense | 6 | – | – |
| Profit after income tax expense | | 22,171 | (158,462) |
| Total comprehensive income for the year | | 22,171 | (158,462) |
| Earnings per share for profit attributable to the ordinary shareholders of the company | | | |
| | | ¢ | ¢ |
| Basic earnings per share | 22 | 2.84 | (20.30) |

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance sheet As at 30 June 2015

| | Notes | 2015 \$ | 2014 \$ |
|----------------------------------|-------|------------------|------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 7 | 46,082 | 46,103 |
| Trade and other receivables | 8 | 33,003 | 35,842 |
| Total Current Assets | | 79,085 | 81,945 |
| Non-Current Assets | | | |
| Trade and other receivables | 8 | 7,515 | 7,515 |
| Property, plant and equipment | 9 | 44,519 | 56,119 |
| Intangible assets | 10 | 12,787 | 34,787 |
| Total Non-Current Assets | | 64,821 | 98,421 |
| Total Assets | | 143,906 | 180,366 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 11 | 13,884 | 22,130 |
| Borrowings | 12 | 258,769 | 294,277 |
| Provisions | 13 | 1,736 | 13,276 |
| Total Current Liabilities | | 274,389 | 329,683 |
| Non-Current Liabilities | | | |
| Provisions | 13 | 791 | 4,128 |
| Total Current Liabilities | | 791 | 4,128 |
| Total Liabilities | | 275,180 | 333,811 |
| Net Assets | | (131,274) | (153,445) |
| Equity | | | |
| Issued capital | 14 | 774,249 | 774,249 |
| Accumulated Losses | 15 | (905,523) | (927,694) |
| Total Equity | | (131,274) | (153,445) |

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2015

| | Issued Capital \$ | Accumulated Losses \$ | Total Equity \$ |
|--|-------------------------|-----------------------------|-----------------------|
| Balance at 1 July 2013 | 774,249 | (769,232) | 5,017 |
| Total comprehensive income for the year | – | (158,462) | (158,462) |
| 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 2014 | 774,249 | (927,694) | (153,445) |
| Balance at 1 July 2014 | 774,249 | (927,694) | (153,445) |
| Total comprehensive income for the year | – | 22,171 | 22,171 |
| 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 2015 | 774,249 | (905,523) | (131,274) |

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cashflows for the year ended 30 June 2015

| | Notes | 2015 \$ | 2014 \$ |
|---|-------|------------------|------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 588,041 | 474,784 |
| Payments to suppliers and employees | | (541,566) | (581,009) |
| Interest received | | 2,553 | 1,712 |
| Interest paid | | (13,226) | (10,796) |
| Net cash used in operating activities | 16 | 35,802 | (115,309) |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (315) | – |
| Net cash used in investing activities | | (315) | – |
| Net increase in cash held | | 35,487 | (115,309) |
| Cash and cash equivalents at the beginning of the financial year | | (248,174) | (132,865) |
| Cash and cash equivalents at the end of the financial year | 7(a) | (212,687) | (248,174) |

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2015

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 and a new interpretation issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2014, and are therefore relevant for the current financial year.

- AASB 2012-3 Amendments to Australian Accounting Standards (AASB 132) – Offsetting Financial Assets and Financial Liabilities.
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.
- AASB 2013-4 Amendments to Australian Accounting Standards (AASB 139) – Novation of Derivatives and Continuation of Hedge Accounting.
- AASB 2013-5 Amendments to Australian Accounting Standards (AASB 10) – Investment Entities.
- AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles).
- AASB 2014-1 Amendments to Australian Accounting Standards (Part B: Defined Benefit Plans: Employee Contributions Amendments to AASB 119).
- Interpretation 21 Levies.
- AASB 1031 Materiality, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality), AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality).

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

None of the amendments to accounting standards or the new interpretation issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2014, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Application of new and amended accounting standards (continued)

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

| | Effective for annual reporting periods beginning on or after |
|---|--|
| • 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 2017 |
| • 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 2016 |
| • 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 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality. | 1 July 2015 |
| • AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent. | 1 July 2015 |
| • AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception. | 1 January 2016 |

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 2014. Therefore the abovementioned accounting standards or interpretations have no impact on amounts recognised in the current period or any prior period.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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 Mt Eliza, 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 in relation to:

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

Going concern

The net assets of the company as at 30 June 2015 were (\$131,274) and the profit before tax made for the period was \$22,171 reducing accumulated losses to \$905,523.

| In addition: | \$ |
|---------------------------|---------|
| Total assets were | 143,906 |
| Total liabilities were | 275,180 |
| Operating cash flows were | 35,802 |

The company meets its day-to-day working capital requirements through an overdraft facility. The overdraft has an approved limit of \$425,000 and was drawn to \$258,769 as at 30 June 2015. Interest expense of \$13,226 was incurred during the 2015 financial year.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

The current economic environment is difficult. However revenue continues to increase and the company is budgeting for an increased profit for the year ending 30 June 2016.

The company has obtained an undertaking of support from Bendigo and Adelaide Bank Limited that it will continue to support the company and its operations for the 2015–16 financial year and this is recognised by the renewal of its franchise agreement for an additional five years. This support is provided on the basis that the company continues to fulfill its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

Based on current cashflow and future pipeline business waiting to be settled, 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**[®] model, known as 'Project Horizon'. This was conducted in consultation with the community banking network. The objective of the review was to develop a shared vision of the **Community Bank**[®] 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**[®] 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.

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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.

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.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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.

As discussed above in relation to Project Horizon, among other things, there will be changes in the financial return for **Community Bank®** 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.

c) Income tax

Current tax

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

Deferred tax

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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

There is no tax expense recognised on the current year profit due to the availability of carried forward losses. The directors have elected not to recognise a deferred tax asset but will review this position again in another 12 months.

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

| | |
|--------------------------|---------------|
| – leasehold improvements | 40 years |
| – plant and equipment | 2.5–4.0 years |
| – furniture and fittings | 4–40 years |

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

i) Loans and receivables

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

ii) Held-to-maturity investments

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

iii) 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 that are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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.

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.

Notes to the financial statements (continued)

Note 2. Financial risk management

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

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

i) Market risk

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

ii) Price risk

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

iii) Credit risk

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

iv) Liquidity risk

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

v) Cash flow and fair value interest rate risk

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

vi) Capital management

The board's policy is to maintain a strong capital base, subject to trading results, 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 2015 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.

Notes to the financial statements (continued)

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.

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.

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

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.

| | 2015 \$ | 2014 \$ |
|--|------------|------------|
|--|------------|------------|

Note 4. Revenue from ordinary activities

| | | |
|--|----------------|----------------|
| Operating activities: | | |
| – services commissions | 134,137 | 114,019 |
| – other revenue | 451,065 | 366,737 |
| Total revenue from operating activities | 585,202 | 480,756 |
| Non-operating activities: | | |
| – interest received | 2,553 | 1,712 |
| Total revenue from non-operating activities | 2,553 | 1,712 |
| Total revenues from ordinary activities | 587,755 | 482,468 |

Note 5. Expenses

| | | |
|-------------------------------------|---------------|---------------|
| Depreciation of non-current assets: | | |
| – plant and equipment | 6,774 | 8,198 |
| – leasehold improvements | 2,985 | 3,732 |
| Amortisation of non-current assets: | | |
| – franchise agreement | 2,000 | 2,000 |
| – establishment fee | 20,000 | 20,000 |
| – software | 2,158 | 2,602 |
| | 33,917 | 36,532 |
| Finance costs: | | |
| – interest paid | 13,226 | 10,796 |
| Bad debts | 37 | – |

Notes to the financial statements (continued)

| | Note | 2015 \$ | 2014 \$ |
|--|------|------------|------------|
|--|------|------------|------------|

Note 6. Income tax expense/(credit)

| | | | |
|---|--|----------------|-----------------|
| The components of tax expense comprise: | | | |
| – Movement in deferred tax | | – | – |
| – Adjustment to deferred tax to reflect change to tax rate in future periods | | – | – |
| – Recoupment of prior year tax losses | | – | – |
| | | – | – |
| The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows: | | | |
| Operating profit | | 22,171 | (158,462) |
| Prima facie tax on profit from ordinary activities at 30% | | 6,651 | (47,539) |
| Add tax effect of: | | | |
| – non-deductible expenses | | 6,794 | 6,600 |
| – timing difference expenses | | (3,318) | 1,689 |
| | | 10,127 | (39,250) |
| Movement in deferred tax | | | |
| Tax losses not brought to account | | 10,127 | 39,250 |
| Income tax losses | | | |
| Future income tax benefits arising from tax losses are not recognised at reporting date as a realisation of the benefit is not regarded as virtually certain. | | | |
| Future income tax benefit carried forward is: | | 253,493 | 263,620 |

Note 7. Cash and cash equivalents

| | | |
|--------------------------|---------------|---------------|
| Cash at bank and on hand | 991 | 1,012 |
| Term deposits | 45,091 | 45,091 |
| | 46,082 | 46,103 |

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 | 991 | 1,012 |
| Term deposits | 45,091 | 45,091 |
| Bank overdrafts | 13 | (294,277) |
| | (212,687) | (248,174) |

Notes to the financial statements (continued)

| | 2015 \$ | 2014 \$ |
|--|------------|------------|
|--|------------|------------|

Note 8. Trade and other receivables

| | | |
|--------------------------------|---------------|---------------|
| Current: | | |
| Trade receivables | 31,869 | 30,891 |
| Other receivables and accruals | 1,134 | 1,202 |
| Prepayments | – | 3,749 |
| | 33,003 | 35,842 |
| Non-Current: | | |
| Trade receivables | 7,515 | 7,515 |
| | 7,515 | 7,515 |

Note 9. Property, plant and equipment

| | | |
|---------------------------------------|---------------|---------------|
| Plant and equipment | | |
| At cost | 90,131 | 89,816 |
| Less accumulated depreciation | (57,553) | (48,623) |
| | 32,578 | 41,193 |
| Leasehold Improvements | | |
| At cost | 34,283 | 34,283 |
| Less accumulated depreciation | (22,342) | (19,357) |
| | 11,941 | 14,926 |
| Total written down amount | 44,519 | 56,119 |
| Movements in carrying amounts: | | |
| Plant and equipment | | |
| Carrying amount at beginning | 41,193 | 51,993 |
| Additions | 315 | – |
| Less: depreciation expense | (8,930) | (10,800) |
| Carrying amount at end | 32,578 | 41,193 |
| Leasehold Improvements | | |
| Carrying amount at beginning | 14,926 | 18,658 |
| Less: depreciation expense | (2,985) | (3,732) |
| Carrying amount at end | 11,941 | 14,926 |
| Total written down amount | 44,519 | 56,119 |

Notes to the financial statements (continued)

| | Note | 2015 \$ | 2014 \$ |
|--|------|------------|------------|
|--|------|------------|------------|

Note 10. Intangible assets

| | | | |
|----------------------------------|--|---------------|---------------|
| Franchise fee | | | |
| At cost | | 10,000 | 10,000 |
| Less: accumulated amortisation | | (9,667) | (7,667) |
| | | 333 | 2,333 |
| Establishment fee | | | |
| At cost | | 100,000 | 100,000 |
| Less: accumulated amortisation | | (96,666) | (76,666) |
| | | 3,334 | 23,334 |
| Redomicile Fees | | | |
| At cost | | 9,120 | 9,120 |
| | | 9,120 | 9,120 |
| Total written down amount | | 12,787 | 34,787 |

Note 11. Trade and other payables

| | | | |
|------------------------------|--|-----------------|-----------------|
| Current: | | | |
| Trade creditors | | (6,447) | (9,325) |
| Other creditors and accruals | | (7,437) | (12,805) |
| | | (13,884) | (22,130) |

Note 12. Borrowings

| | | | |
|--|----|------------------|------------------|
| Current: | | | |
| Bank overdrafts | | (258,769) | (294,277) |
| The approved overdraft limit is \$425,000. Interest is currently charged at a rate of 4.15% (2014: 4.71%). The debt is secured by a fixed and floating charge over the company's assets and is subject to quarterly reviews by Bendigo Bank. | 26 | (258,769) | (294,277) |

Notes to the financial statements (continued)

| | 2015 \$ | 2014 \$ |
|--|------------|------------|
|--|------------|------------|

Note 13. Provisions

| | | |
|----------------------------------|---------|----------|
| Current: | | |
| Provision for annual leave | (1,736) | (13,276) |
| Non-Current: | | |
| Provision for long service leave | (791) | (4,128) |

Note 14. Contributed equity

| | | |
|--|----------------|----------------|
| 807,110 ordinary shares fully paid (2014: 807,110) | 807,110 | 807,110 |
| Less: equity raising expenses | (32,861) | (32,861) |
| | 774,249 | 774,249 |

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).

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)

Note 14. 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 172. As at the date of this report, the company had 196 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.

| | 2015 | 2014 |
|--|------|------|
| | \$ | \$ |

Note 15. Accumulated losses

| | | |
|--|------------------|------------------|
| Balance at the beginning of the financial year | (927,694) | (769,232) |
| Net profit from ordinary activities after income tax | 22,171 | (158,462) |
| Balance at the end of the financial year | (905,523) | (927,694) |

Notes to the financial statements (continued)

| | 2015 \$ | 2014 \$ |
|--|------------|------------|
|--|------------|------------|

Note 16. Statement of cash flows

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

| | | |
|--|---------------|------------------|
| Profit from ordinary activities after income tax | 22,171 | (158,462) |
| Non cash items: | | |
| – depreciation | 11,917 | 14,532 |
| – amortisation | 22,000 | 22,000 |
| Changes in assets and liabilities: | | |
| – (increase)/decrease in receivables | 2,838 | (5,972) |
| – increase/(decrease) in payables | (8,247) | 7,060 |
| – increase/(decrease) in provisions | (14,877) | 5,533 |
| Net cash flows provided by operating activities | 35,802 | (115,309) |

Note 17. Leases

Operating lease commitments

| | | |
|--|----------------|----------------|
| Payable – minimum lease payments: | | |
| – not later than 12 months | 91,896 | 104,191 |
| – between 12 months and 5 years | 414,524 | 8,710 |
| – greater than 5 years | | – |
| Present value of minimum lease payments | 506,420 | 112,901 |

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The first term was taken up in August 2010, and the second (commencing 1st November 2015) in August 2015. There is one further term of 5 years available.

Note 18. Auditor's remuneration

| | | |
|---|--------------|--------------|
| Amounts received or due and receivable by the auditor of the company for: | | |
| – audit and review services | 4,100 | 4,000 |
| | 4,100 | 4,000 |

Notes to the financial statements (continued)

Note 19. Director and related party disclosures

Detailed shareholding disclosures are provided in the remuneration report, included as part of the directors' report.

Note 20. 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.

| | 2015 \$ | 2014 \$ |
|--|------------|------------|
|--|------------|------------|

Note 21. Earnings per share

| | | |
|---|---------------|---------------|
| a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share | 22,171 | (158,462) |
| | Number | Number |
| b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 780,688 | 780,688 |

Note 22. 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 23. 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 24. Segment reporting

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

Note 25. 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 |
| 15 Sumner Road | Shop 13 & 17 |
| Baxter VIC 3911 | Ritchies Village |
| | 89 Mt Eliza Way |
| | Mt Eliza VIC 3930 |

Notes to the financial statements (continued)

Note 26. 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 | |
|------------------------------|-------------------|---------|---------------------------------|--------|-------------------|------|--------------|------|----------------------|--------|------------------|------|
| | 2015 | 2014 | 1 year or less | | Over 1 to 5 years | | Over 5 years | | 2015 | 2014 | 2015 | 2014 |
| | | | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | | | % | % |
| Financial assets | | | | | | | | | | | | |
| Cash and cash equivalents | 782 | 802 | 45,091 | 45,091 | – | – | – | – | 210 | 210 | 3.55 | 3.80 |
| Receivables | – | – | – | – | – | – | – | – | 31,868 | 30,891 | N/A | N/A |
| Financial liabilities | | | | | | | | | | | | |
| Interest bearing liabilities | 258,769 | 294,277 | – | – | – | – | – | – | – | – | 4.75 | 4.46 |
| Payables | – | – | – | – | – | – | – | – | 6,447 | 9,325 | | |

Notes to the financial statements (continued)

Note 26. Financial instruments (continued)

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.

Directors' declaration

In accordance with a resolution of the directors of Mt Eliza Community Enterprise 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 2015 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.



Reagan H. Barry
Chairman

Signed on the 18th of September 2015.

Independent audit report



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Mt Eliza Community Enterprise Limited

ABN 18 139 499 326

Independent Audit Report to the members of Mt Eliza Community Enterprise Limited

Report on the Financial Report

We have audited the accompanying financial report of Mt Eliza Community Enterprise Limited, which comprises the balance sheet as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view 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 Company'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.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Mt Eliza Community Enterprise Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



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Independent audit report (continued)



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Mt Eliza Community Enterprise Limited

ABN 18 139 499 326

Independent Audit Report to the members of Mt Eliza Community Enterprise Limited

Opinion

In our opinion:

- (a) the financial report of Mt Eliza Community Enterprise Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; a
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration report

We have audited the remuneration report included in the director's report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report based on an audit conducted in accordance with Australian Auditing Standards.

Audit Opinion

In our opinion, the remuneration report of Mt Eliza Community Enterprise Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act*.

Ashfords Audit and Assurance

Ashfords Audit and Assurance

A handwritten signature in black ink, appearing to be 'AW' or similar initials, written over a horizontal line.

Andrew White

DINGLEY

21 September 2015



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Phone: 0412 380 727
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Share Registry:
RSD Chartered Accountants
PO Box 30, Bendigo VIC 3552
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