



Annual Report 2017

Murrindindi Community
Enterprise Limited

ABN 55 141 660 086

Yea & District **Community Bank**[®] Branch

Contents

Chairman's report	2
Manager's report	3
Directors' report	5
Auditor's independence declaration	10
Financial statements	11
Notes to the financial statements	15
Directors' declaration	35
Independent audit report	36

Chairman's report

For year ending 30 June 2017

This has been another very active year for the Yea & District **Community Bank**[®] Company. We have become an integral part of our community and it is worthwhile reflecting on our degree of involvement in Yea and surrounds.

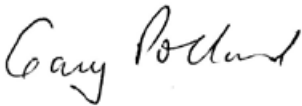
Most obvious is our financial contribution. Financial support for local clubs, groups and organisations this year was over \$29,000 and our total over the past eight years is now over \$150,000. This is a substantial amount of money and it is increasing year by year.

Less obvious, but also important, are some other contributions. We employ five people at the branch, we lease our premises from a local family, we use local tradesman and maintenance people and we provide free display space in the branch and promote local events and organisations in our display windows. Finally, and very importantly, by the manner in which we do business, we provide a great place for people to have a chat with staff, friends and neighbours.

We have a very dedicated staff, lead by Branch Manager Lyn Southurst and we received constant support and guidance from our Regional Manager Jodie McLeod and her team.

Our financial bottom line improved once again this year and the Board is striving to continue this progress.

We encourage everyone in our community to join us in our efforts.



Gary Pollard
Chairman

Manager's report

For year ending 30 June 2017

I am pleased to submit my Manager's report for the year ending 30 June 2017. Our total business, with deposits and lending balances is now \$ 73.9 million. This represents growth of \$ 1.5 million, an increase of approximately 2% from the previous year. Our customer base has seen an increased by 5%. Whilst our end results have been marginal from previous years, our branch remains busy with daily activity and new customers becoming part of the **Community Bank**[®] philosophy. Simply, bank with us and you support the community.

The past year we have contributed over \$29,000 in 'Community investments and Sponsorships' to local community groups and events across the Murrindindi Shire. Overall our contributions have exceeded \$150,000 since opening. This has been made possible with the assistance of Bendigo and Adelaide Bank's Marketing Development Fund as an incentive to grow our branch customer and business base. This clearly sets us apart from any other financial institution, our 'point of difference'.

I recently attended the Victorian and Tasmanian **Community Bank**[®] Conference in Ballarat with Board Secretary David Roberts. Yea & District **Community Bank**[®] Branch were finalists for the 'Community Choice' awards for sponsorship of the 2016 UGLN Kids teaching Kids Program. Kids Teaching Kids (KTK) is a national program that helps young people become aware of local environmental issues, whilst giving them the chance to contribute positively to a topic that has significance in their local area. It starts in the classroom where kids from participating schools research an environmental issue and develop action plans to address it. These efforts culminate during Kids Teaching Kids week, where the kids from all the schools meet and teach each other what they have discovered. The kids learn that they can make a real difference on environmental issues in their communities and globally.

Our team of staff and Board members are happy to discuss any projects that your group may be considering or have and how working together with Yea & District **Community Bank**[®] Branch may be able to assist with turning your group's vision into a reality. We also welcome local community groups to promote their upcoming event or project in our front window.

Our progress would not have been achieved without the continual hard work and commitment from staff who work tirelessly in a proficient and professional manner, whilst providing an exceptional level of service and expert advice on our broad range of financial services. Our team engage in community group activities and events which are usually outside working hours, which is a great effort.

Sadly, In March we farewelled Alex Walters from our team after more than six years of service. Alex relocated back to Melbourne to pursue another career. We wish her every success and appreciate her the contributions she made to our branch and community. Thank you Alex. In June, we also farewelled our Business Banker Paul Brock. Paul has been of great support to us during the past three years, and we thank him for his efforts and wish him well with new career opportunities.

We warmly welcomed Natalie Rees to our team in May. Natalie came to us having recently moved from Queensland back to her family farm in Seymour. Natalie has extensive experience in Customer Service. Welcome Natalie.

Our business extends into Alexandra and surrounds, with our agency located at Alexandra Newsagency & Lotto. I am available for appointments in either Yea or Alexandra. Our extended business hours allow flexible banking for our customers to attend at a time that suits them. Jo Kilpatrick, Customer Service Officer will be able to assist with your queries.

Thank you, to our specialist support team of Jim Guillane, Business Banker, and James Alcaniz Rural Bank Specialists, who visit the branch on a regular basis and provide exceptional service and support to branch staff and our valued customers.

Manager's report (continued)

Our Board of Directors, capably lead by Gary Pollard, Chairman, impart enthusiastic input to the team as we strive to maintain our growth rate. Bendigo and Adelaide Bank's administration provide invaluable assistance and direction led by Jodie McLeod and most importantly, the continued support from our shareholders, customers and community groups. My heartfelt thanks to you all.

I feel enormously proud of our **Community Bank**[®] branch. Thank you to all who have assisted with our success.

I look forward to sharing future development and success with you all.



Lyn Southurst
Branch Manager

Directors' report

For the financial year ended 30 June 2017

Your directors submit the financial statements of the company for the financial year ended 30 June 2017.

Directors

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

Gary Robert Pollard

Chairman

Occupation: Retired

Qualifications, experience and expertise: Gary is a Pharmacist and Community Pharmacy owner. He is a past Councillor and Vice President of Shire of Yea. He is a life member with the Yea Apex club, Yea Cricket club, Yea Golf club and Yea and District Cricket Association.

Special responsibilities: Marketing and Development Committee and Audit Committee

Interest in shares: 36,001

David Earlsley Roberts

Director

Occupation: Retired

Qualifications, experience and expertise: David worked in the Minerals industry for 31 years working with the Western Mining Corporation as a research and field Geologist from 1969-1989. He was a member of the Executive Management Team for Mineral Exploration in Australia, North & South America and Asia 1989-2000. He worked in the Pastoral and Farming industry for 15 years, as an Owner/operator of Beef Cattle enterprise and organic herbs business 2000-2015. David holds a B.Sc. (Hons) Australian National University 1969; M.Sc. James Cook University 1977; Executive Development Program University of California-Berkley 1992. He was a member, past President and Board Member Rotary club of Yea 2001-2016, Rotary Paul Harris Fellow. Past Treasurer for Yea Wetlands Committee of Management, Yea Wetlands Trust Trustee & Secretary Treasurer 2004-2013 and a Member of Yea & District Historical Society.

Special responsibilities: Treasurer, Company Secretary

Interest in shares: 3,001

Karli Joy Chase

Director

Occupation: Retired

Qualifications, experience and expertise: Karli is a small business owner. She is a member of the HiArts Highlands Art Inc, Highlands Community Hall and Seymour Youth and Fitness centre.

Special responsibilities: Marketing and Development Committee

Interest in shares: 1,500

Directors' report (continued)

Directors (continued)

Samantha Leigh Hicks

Director

Occupation: Self-employed Business Development and Marketing Consultant

Qualifications, experience and expertise: Sam has been self-employed from 18 years of age with a career of 20 plus years in manufacturing and teaching of ceramics. Sam is currently a self-employed consultant in business development and Marketing. Sam is a professional photographer, and has been taking photos of landscapes, objects and people since 8 years of age. Sam has a Cert IV in Workplace Training and Assessment, a Cert IV in Business and Marketing, a Cert 3 in Events and a Cert 2 in Creative Volunteering. She holds Diplomas in Tourism, Events, Community Development, Community Education and Project Management. Sam is currently studying a Masters in Business Administration majoring in Marketing. She is a Proud life member and Secretary of Murrindindi Food and Wine inc, President of the Fawcett Hall reserve committee of Management, and the Alexandra Heated (POP up POOL) project and a Proud life member of Marysville Triangle Business and Tourism Inc.

Special responsibilities: Marketing and Development Committee

Interest in shares: Nil

Ian Fraser McKaskill

Director

Occupation: Retired Engineer

Qualifications, experience and expertise: Ian McKaskill is a mechanical engineer with over 35 years experience in a diverse range of engineering and related areas including oil & gas, minerals processing, heavy engineering manufacturing, IT and education. He has expertise in the project management and successful delivery of large capital works projects in the process industries. Earlier in his career, he worked in the areas of design of largest capital equipment developing this experience through to marketing and business development and ultimately into general management of engineering, construction and project management businesses. He has specific skills in the delivery of large EPC projects including the areas of project management, contracts formulation and management, project initiation, project execution and project close-out. Ian has long held a passion for delivering projects in a dispute free environment and uses his qualifications and skills as an arbitrator and mediator to execute project deliver in a low conflict environment. Ian is also involved in rural and regional based activities. He is a Board Member of the Alexandra District Hospital and Director of Murrindindi Community Enterprise Limited, Vice President of the Upper Goulburn Landcare Network, President of the Murrindindi East Chapter or U3A, Independent Member of the Murrindindi Shire Council Audit Committee.

Special responsibilities: Nil

Interest in shares: Nil

Russell George Wealands

Director

Occupation: Retired (Community Volunteer)

Qualifications, experience and expertise: Russell holds a Diploma CE EWS Civil Engineering, He is the Chair of Yea Wetlands Trust, a member of Y Water Centre Association, Yea Golf club and Yea Arts Inc. He is a former Executive officer of Upper Goulburn, Goulburn Broken CMA.

Special responsibilities: Marketing and Development Committee

Interest in shares: 10,001

Kim Marree Chadband

Director (Resigned 8 December 2016)

Occupation: Project Manager

Qualifications, experience and expertise: Board member since 2010.

Special responsibilities:

Interest in shares: 15,001

Directors' report (continued)

Directors (continued)

Directors were in office for this entire year unless otherwise stated.

No directors have material interests in contracts or proposed contracts with the company.

Company Secretary

The company secretary is David Roberts. David was appointed to the position of secretary on 2 September 2010.

David has also been the Company Treasurer since 20 November 2014. David's qualifications and experience include being an executive member of Western Mining Corporation's global exploration management team. David spent 31 years in mineral exploration and mining geology in Australia and in 12 countries internationally.

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 loss of the company for the financial year after provision for income tax was:

Year ended 30 June 2017 \$	Year ended 30 June 2016 \$
(53,835)	(108,097)

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.

Directors' report (continued)

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		Audit Committee		Marketing & Development Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Gary Robert Pollard	11	8	1	1	7	4
David Earlsley Roberts	11	11	1	1	-	-
Karli Joy Chase	11	9	-	-	7	4
Samantha Leigh Hicks	11	7	-	-	7	4
Ian Fraser McKaskill	11	11	-	-	-	-
Russell George Wealands	11	7	-	-	7	4
Kim Marree Chadband*	6	-	-	-	-	-

* - (Resigned 8 December 2016)

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, in accordance with the advice received from the audit committee 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 audit committee to ensure they do not impact on the impartiality and objectivity of the auditor

Directors' report (continued)

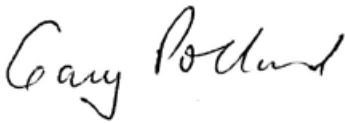
Non audit services (continued)

- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

Signed in accordance with a resolution of the board of directors at Yea, Victoria on 26 September 2017.



**Gary Robert Pollard,
Chairman**

Auditor's independence declaration



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 Murrindindi Community Enterprise Limited

As lead auditor for the audit of Murrindindi Community Enterprise Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 26 September 2017

A handwritten signature in black ink, appearing to read 'David Hutchings'.

David Hutchings
Lead Auditor

Taxation | Audit | Business Services

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

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue from ordinary activities	4	459,871	403,768
Employee benefits expense		(294,928)	(290,645)
Charitable donations, sponsorship, advertising and promotion		(31,372)	(35,154)
Occupancy and associated costs		(46,142)	(44,687)
Systems costs		(31,567)	(32,729)
Depreciation and amortisation expense	5	(23,114)	(20,914)
Finance costs	5	(7,241)	(4,560)
General administration expenses		(99,611)	(84,826)
Loss before income tax credit		(74,104)	(109,747)
Income tax credit	6	20,269	1,650
Loss after income tax credit		(53,835)	(108,097)
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		(53,835)	(108,097)
Earnings per share		¢	¢
Basic earnings per share	22	(6.56)	(13.18)

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2017

	Notes	2017 \$	2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	194	78
Trade and other receivables	8	40,153	33,813
Total Current Assets		40,347	33,891
Non-Current Assets			
Property, plant and equipment	9	77,680	85,949
Intangible assets	10	57,518	76,946
Deferred tax asset	11	224,216	203,948
Total Non-Current Assets		359,414	366,843
Total Assets		399,761	400,734
LIABILITIES			
Current Liabilities			
Trade and other payables	12	41,678	53,068
Borrowings	13	228,130	155,661
Provisions	14	13,113	11,259
Total Current Liabilities		282,921	219,988
Non-Current Liabilities			
Trade and other payables	12	33,587	45,800
Provisions	14	13,763	11,620
Total Non-Current Liabilities		47,350	57,420
Total Liabilities		330,271	277,408
Net Assets		69,491	123,326
Equity			
Issued capital	15	792,829	792,829
Accumulated losses	16	(723,338)	(669,503)
Total Equity		69,491	123,326

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015	792,829	(561,406)	231,423
Total comprehensive income for the year	-	(108,097)	(108,097)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2016	792,829	(669,503)	123,326
Balance at 1 July 2016	792,829	(669,503)	123,326
Total comprehensive income for the year	-	(53,835)	(53,835)
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	792,829	(723,338)	69,491

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		511,596	438,391
Payments to suppliers and employees		(561,441)	(502,010)
Interest paid		(7,241)	(4,560)
Net cash used in operating activities	17	(57,086)	(68,179)
Cash flows from investing activities			
Payments for property, plant and equipment		-	(2,192)
Payments for intangible assets		(15,267)	(11,297)
Net cash used in investing activities		(15,267)	(13,489)
Net decrease in cash held		(72,353)	(81,668)
Cash and cash equivalents at the beginning of the financial year		(155,583)	(73,915)
Cash and cash equivalents at the end of the financial year	7(a)	(227,936)	(155,583)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2017

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

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

There are a number of amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2016, and are therefore relevant for the current financial year.

None of these amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

There are also a number of accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2016. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

Only AASB 16 Leases, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. This revised standard will require the branch lease to be capitalised.

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 Yea, Victoria.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

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

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

- 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 2017 were \$69,491 and the loss made for the year was \$53,835, bringing accumulated losses to \$723,338.

In addition:	\$
Total assets were	399,761
Total liabilities were	330,271
Operating cash flows were	(57,086)

There was a 50% decrease in the loss recorded for the financial year ended 30 June 2017 when compared to the prior year.

The company meets its day to day working capital requirements through an overdraft facility with an approved limit of \$250,000 and was drawn to \$228,130 as at 30 June 2017. An application for an increased limit of \$300,000 is currently being processed. The overdraft facility will be reviewed again in September 2018.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Going concern (continued)

\$7,241 of interest expense was incurred during the 2017 financial year.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 5 to 9. 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 and while revenue has increased the company has again reported an operating loss for the year. The directors consider that the outlook presents significant challenges in terms of banking business volume and pricing as well as for operating costs. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company are not able to operate within the level of its current overdraft facility and it is applying for an increase in this limit.

The company has held discussions with Bendigo and Adelaide Bank Limited about its future borrowing needs. It is likely that these discussions will not be completed for some time but no matters have been drawn to its attention to suggest that renewal and extension may not be forthcoming on acceptable terms. The company has also obtained an undertaking of support from Bendigo and Adelaide Bank Limited that it will continue to support the company and its operations for the 2017/18 financial year. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

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

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

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

b) Revenue

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

Revenue calculation

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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.

Ability to change financial return

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return

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

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

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

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) 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.

Notes to the financial statements (continued)

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 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.

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.

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2017 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Taxation

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

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

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

Estimation of useful lives of assets

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

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 consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- gross margin	329,205	216,540
- services commissions	43,187	101,028
- fee income	50,187	36,150
- market development fund	37,292	50,000
- other revenue	-	50
Total revenue from operating activities	459,871	403,768
Total revenues from ordinary activities	459,871	403,768

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	4,859	6,366
- leasehold improvements	3,410	3,410
Amortisation of non-current assets:		
- franchise agreement	2,517	3,664
- franchise renewal fee	12,328	7,474
	23,114	20,914
Finance costs:		
- interest paid	7,241	4,560
Bad debts	47	426

Note 6. Income tax credit

The components of tax credit comprise:

- Future income tax benefit attributable to losses	(18,370)	(20,164)
- Movement in deferred tax	(1,815)	6,971
- Adjustment to deferred tax to reflect change to tax rate in future periods	7,419	-
- Under/(Over) provision of tax in the prior period	(7,503)	11,543
	(20,269)	(1,650)

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

Operating loss	(74,104)	(109,747)
Prima facie tax on loss from ordinary activities at 27.5% (2016: 28.5%)	(20,379)	(31,278)

Notes to the financial statements (continued)

	Note	2017 \$	2016 \$
Note 6. Income tax credit (continued)			
Add tax effect of:			
- non-deductible expenses		194	8,547
- timing difference expenses		1,815	2,567
		(18,370)	(20,164)
Movement in deferred tax		(1,815)	6,971
Adjustment to deferred tax to reflect change of tax rate in future periods		7,419	-
Under/(Over) provision of income tax in the prior year		(7,503)	11,543
		(20,269)	(1,650)

Note 7. Cash and cash equivalents

Cash at bank and on hand		194	78
		194	78

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		194	78
Bank overdraft	13	(228,130)	(155,661)
		(227,936)	(155,583)

Note 8. Trade and other receivables

Trade receivables		32,457	29,857
Prepayments		7,696	3,956
		40,153	33,813

Note 9. Property, plant and equipment

Leasehold improvements

At cost		85,247	85,247
Less accumulated depreciation		(23,412)	(20,002)
		61,835	65,245

Plant and equipment

At cost		84,711	85,546
Less accumulated depreciation		(68,866)	(64,842)
		15,845	20,704
Total written down amount		77,680	85,949

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 9. Property, plant and equipment (continued)		
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	65,245	68,655
Less: depreciation expense	(3,410)	(3,410)
Carrying amount at end	61,835	65,245
Plant and equipment		
Carrying amount at beginning	20,704	24,878
Additions	-	2,192
Less: depreciation expense	(4,859)	(6,366)
Carrying amount at end	15,845	20,704
Total written down amount	77,680	85,949

Note 10. Intangible assets

Franchise fee

At cost	21,297	25,880
Less: accumulated amortisation	(19,991)	(17,474)
	1,306	8,406

Establishment fee

At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	-	-

Renewal processing fee

At cost	56,484	56,484
Less: accumulated amortisation	(12,328)	-
	44,156	56,484

Goodwill on purchase of agency	12,056	12,056
Total written down amount	57,518	76,946

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 11. Tax		
Non-Current:		
Deferred tax assets		
- accruals	715	-
- employee provisions	7,391	6,521
- tax losses carried forward	216,110	197,427
	224,216	203,948
Net deferred tax asset	224,216	203,948
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(9,317)	1,650

Note 12. Trade and other payables

Current:		
Trade creditors	8,885	18,896
Other creditors and accruals	32,793	34,172
	41,678	53,068
Non-Current:		
Trade creditors	33,587	45,800

Note 13. Borrowings

Current:		
Bank overdraft	228,130	155,661

The company has an overdraft facility of \$250,000 which is charged at an interest rate currently 3.705%. This overdraft is secured by a fixed and floating charge over the company's assets. The company is currently applying for an increase in their overdraft to \$300,000.

Note 14. Provisions

Current:		
Provision for annual leave	13,113	11,259
Non-Current:		
Provision for long service leave	13,763	11,620

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 15. Contributed equity		
820,109 ordinary shares fully paid (2016: 820,109)	820,109	820,109
Less: equity raising expenses	(27,280)	(27,280)
	792,829	792,829

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.

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, they control or own 10% or more of the shares in the company (the "10% limit").

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.

Notes to the financial statements (continued)

Note 15. Contributed equity (continued)

Prohibited shareholding interest (continued)

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.

	2017	2016
	\$	\$
Note 16. Accumulated losses		
Balance at the beginning of the financial year	(669,503)	(561,406)
Net loss from ordinary activities after income tax	(53,835)	(108,097)
Balance at the end of the financial year	(723,338)	(669,503)

Note 17. Statement of cash flows

Reconciliation of loss from ordinary activities after tax to net cash used in operating activities

Loss from ordinary activities after income tax	(53,835)	(108,097)
Non cash items:		
- depreciation	8,269	9,776
- amortisation	14,845	11,138
Changes in assets and liabilities:		
- (increase)/decrease in receivables	3,512	(5,794)
- (increase)/decrease in other assets	(20,268)	(37)
- increase/(decrease) in payables	(13,606)	17,481
- increase/(decrease) in provisions	3,997	9,004
- increase/(decrease) in current tax liabilities	-	(1,650)
Net cash flows used in operating activities	(57,086)	(68,179)

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 18. Leases		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	26,940	26,715
- between 12 months and 5 years	4,490	87,489
	31,430	114,204

The operating lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance, commenced August 2015.

Note 19. Auditor's remuneration

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

- audit and review services (Andrew Frewin Stewart)	1,500	-
- audit and review services (Richmond Sinnott Delahunty)	-	5,350
- non audit services (Andrew Frewin Stewart)	1,365	-
	2,865	5,350

Note 20. Director and related party disclosures

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

Gary Robert Pollard
Karli Joy Chase
Samantha Leigh Hicks
Ian Fraser MacKaskill
David Earlsley Roberts
Russell George Wealands
Kim Marree Chadband (Resigned 8 December 2016)

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.

Notes to the financial statements (continued)

Note 20. Director and related party disclosures (continued)

	2017	2016
Directors' Shareholdings		
Gary Robert Pollard	36,001	36,001
Karli Joy Chase	1,500	1,500
Samantha Leigh Hicks	-	-
Ian Fraser MacKaskill	-	-
David Earlsley Roberts	3,001	2,001
Russell George Wealands	10,001	10,001
Kim Marree Chadband (Resigned 8 December 2016)	15,001	15,001

There was a 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.

	2017 \$	2016 \$
--	------------	------------

Note 22. Earnings per share

(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(53,835)	(108,097)
--	----------	-----------

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	820,109	820,109

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 Yea, Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Notes to the financial statements (continued)

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

66 High Street
Yea VIC 3717

Principal Place of Business

66 High Street
Yea VIC 3717

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					
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 %	2016 %
Financial assets												
Cash and cash equivalents	-	-	-	-	-	-	-	-	194	78	Nil	Nil
Receivables	-	-	-	-	-	-	-	-	32,457	29,857	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-228,130	-155,661	-	-	-	-	-	-	-	-	3.66	3.96
Payables	-	-	-	-	-	-	-	-	8,885	18,896	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.

Notes to the financial statements (continued)

Note 27. Financial instruments (continued)

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 2017, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2017	2016
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	2,281	1,557
Decrease in interest rate by 1%	2,281	(1,557)
Change in equity		
Increase in interest rate by 1%	2,281	1,557
Decrease in interest rate by 1%	2,281	(1,557)

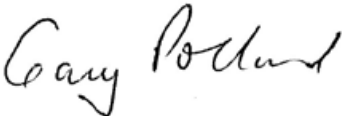
Directors' declaration

In accordance with a resolution of the directors of Murrindindi 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 2017 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



Gary Robert Pollard,
Chairman

Signed on the 26th of September 2017.

Independent audit report



Partners in success

Chartered Accountants

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

Independent auditor's report to the members of Murrindindi Community Enterprise Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Murrindindi 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 2017 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards.

What we have audited

Murrindindi Community Enterprise Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Material uncertainty related to going concern

Our opinion is not modified for this matter. We draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss after tax of \$53,835 during the year ended 30 June 2017, further reducing the company's net assets to \$69,491. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Taxation | Audit | Business Services

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

Independent audit report (continued)

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: 26 September 2017



David Hutchings
Lead Auditor

Yea & District **Community Bank**[®] Branch
66 High Street, Yea VIC 3717
Phone: (03) 5797 2188

Franchisee: Murrindindi Community Enterprise Limited
66 High Street, Yea VIC 3717
Phone: (03) 5797 2188
ABN: 55 141 660 086
www.bendigobank.com.au/yea

Share Registry:
Murrindindi Community Enterprise Limited
66 High Street, Yea VIC 3717
Phone: (03) 5797 2188
Email: de.jkroberts@inet.net.au

(BNPAR17068) (08/17)