Annual Report 2018

Murrindindi Community Enterprise Limited

ABN 55 141 660 086

Yea & District **Community Bank**® Branch

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Chairman’s report

For year ending 30 June 2018

This financial year has been, overall, a disappointing one for the Board of Murrindindi Community Enterprise Ltd. Uncertain economic conditions have made it difficult to attract new customers and the continuation of very low interest rates over the past two years is impacting on our revenue. Community and shareholder response to our specific marketing initiatives focused on particular large groups is especially disappointing.

On a positive note, this year we have made community contributions of $45,697 which is a very substantial investment in our community. We continue to provide an excellent level of service to our customers and we will continue to do so.

However, we have not made the sought-after improvement of a profit in our financial performance. We have made a loss after depreciation and tax of $40,250 (a 25% improvement on last year). On a cash basis our loss was $26,941. It should also be noted that the $45,697 in community contributions exceeded the Marketing and Development Allowance from the Bendigo Bank of $37,500 which worsened the cash trading result by $8,197.

The Board made the difficult decision during the year to reduce our trading hours as a means of reducing our expenses, and in line with our customers’ activities. Over a full year this is expected to result in a saving of around $40,000. This decision did draw some criticism from our customer base. Unfortunately after we amended our trading hours the CBA announced it was closing, and required us to temporarily open our branch for longer hours to assist people in transferring their accounts to us. We have now reverted back to our agreed hours, and later in the financial year we started to see the improvements to our expenses that we forecast. We continue to make every effort to have our branch in profit and to be sustainable. The Board is continuing to examine all aspects of our business to improve our financial performance.

I wish to thank my fellow Board members for their efforts and volunteer contributions to our Community Bank and to our community this year. I also wish to thank our team in the Branch, lead by manager Lyn Southurst, and also the regional team at the Bendigo Bank for their continued guidance and assistance.

We thank you, our shareholders for your continued patience, and ask that you assist your Board by your continued banking support and also ask that you continue to advocate yours and our business to your friends and family.

In summary it is worth noting that we are now the only full-service bank in Yea. Although our opening hours have reduced this year we are still open for longer hours than other banks have provided for customers in Yea for more than 30 years. The Bendigo and Adelaide Bank always features highly in surveys of customer satisfaction and trust. Since opening 8 years ago we have returned some $180,000 to the local community. You can be assured your Board is determined to make the Yea and District Community Bank , profitable and sustainable.

Gary Pollard

Gary Pollard

Chairmain

Manager’s report

For year ending 30 June 2018

I am pleased to submit my Manager’s report for the year ending 30 June 2018.

Our overall funds under management position, with deposits and lending portfolio is now $ 77.1 million.

This represents growth of $ 3.2 million, an increase of approximately 4.3% from the previous year. Our customer base has seen an increase by 5.5%. Whilst our end results have been marginal from previous years, we continue to look for opportunities to grow the business in all areas, with 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 $36,000 in “Community Investments and Sponsorships” to local community groups and events across the Murrindindi Shire. Overall our contributions have exceeded $180,000 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”.

Our recent Community Forum was well attended by more than 40 community members from around the district. The evening provided the opportunity for attendees to put ideas forward for an improved community, and a total of 123 Ideas were recorded. Board members are now in the process of prioritising these ideas, for the betterment of the community. Our team of Staff & 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.

To my staff, Kerry, Jo, Michelle & Natalie, I say a “Big thank You” for your professional service and dedication throughout the year in which we have seen change and challenges along the way. The team provides an exceptional level of service and expert advice, on our broad range of financial services. Our team engage in Community group activities and events, usually outside working hours, which is a great effort and much appreciated.

Thank you, to our specialist support team of Jay Nash & Jim Guillane, Business Banker’s, 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.

Our Board of Directors, capably lead by Chairman Gary Pollard, work diligently, and impart enthusiastic input to the team on a volunteer basis, to ensure that the business remains strong and that it continues to provide benefits to our local community. Bendigo and Adelaide Bank’s provide invaluable assistance and direction led by Shaun Leech & Bill Den Hartog, Regional Manager’s. Most importantly, the continued support from our shareholders, customers and community groups. My heartfelt thanks to you all.

From a Community Bank® perspective, our success relies on the support that we get from our community. With you supporting your local Community Bank® branch, we achieve great things together. Our investors, supporters and customers are our greatest advocates in encouraging others to come join and share in the Community Bank® branch success in our area.

Lyn Southurst

Branch Manager

Directors' report

For year ending 30 June 2018

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

Directors

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

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

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

Directors (continued)

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 large 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 a arbitrator and mediator to execute project deliver in a low conflict environment. Ian is also involved in rural and regional based activities. As well as his past role as a Board member of Alexandra District Health and current Board Member of Murrindindi Community Enterprises Limited, Ianis Vice President/Secretary of the Upper Goulburn Landcare Network, President of the Murrindindi East Chapter of 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 Committee

Interest in shares: 10,001

Michael John Dalmau

Director *(Appointed 1 October 2017)*

Occupation: House-boat Broker

Qualifications, experience and expertise: Murrindindi Inc. (Regional Business & Tourism Body) President. Lake Eildon Houseboat Industry Association President. ADAS Inc. (Alexandra District ambulance Support) President. CRLLEN (Central Ranges Local Learning Employment Network) Board Member and Treasurer. Murrindindi Community Enterprises Ltd T/as Yea & District Community Bank Board Member. GMW Lake Eildon Implementation Group Community Representative. Alexandra District Traders & Tourism Association Committee Member. Eildon Major Events Board Member.

Special responsibilities: Nil

Interest in shares:

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.

Directors' report (continued)

Principal Activities

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

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

Operating results

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

Year ended 30 June 2018 $	Year ended 30 June 2017 $
(40,250)	(53,835)

Dividends

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

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Events since the end of the financial year

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company the results of those operations or the state of affairs of the company, in future years.

Likely developments

The company will continue its policy of facilitating banking services to the community.

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

Indemnification and insurance of directors and officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors’ report (continued)

Directors’ meetings

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

	Board Meetings		Audit Committee		Marketing & Development Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Gary Robert Pollars	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
Michael John Dalmau *(Appointed 1 October 2017)*	8	7	-	-	-	-

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

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

Auditor’s independence declaration

A copy of the auditor’s independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

Signed in accordance with a resolution of the board of directors at Balnarring, Victoria on 28 August 2018.

Gary Pollard

Gary Robert Pollard
Chair

Auditor's independence declaration

Partners in success

Chartered Accountants

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

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Murrindindi Community Enterprise Limited

As lead auditor for the audit of Murrindindi Community Enterprise Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 20 September 2018

David Hutchings
Lead Auditor

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Financial Statements

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

	Notes	2018 $	2017 $
Revenue from ordinary activities	4	476,447	459,871
Employee benefits expense		(284,776)	(294,928)
Charitable donations, sponsorship, advertising and promotion		(45,697)	(31,372)
Occupancy and associated costs		(45,490)	(46,142)
Systems costs		(33,056)	(31,567)
Depreciation and amortisation expense	5	(19,948)	(23,114)
Finance costs	5	(9,531)	(7,241)
General administration expenses		(93,467)	(99,611)
Loss before income tax credit		**(55,518)**	**(74,104)**
Income tax expense	6	15,268	20,269
Loss after income tax credit		**(40,250)**	**(53,835)**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**(40,250)**	**(53,835)**
Earnings per share		**¢**	**¢**
Basic earnings per share	23	(4.91)	(6.56)

The accompanying notes form part of these financial statements

Balance Sheet
as at 30 June 2018

	Notes	2018 $	2017 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	540	194
Trade and other receivables	8	38,362	40,152
Total Current Assets		**38,902**	**40,346**
Non-Current Assets			
Property, plant and equipment	9	71,534	77,680
Intangible assets	10	45,780	57,518
Deferred tax asset	11	239,484	224,216
Total Non-Current Assets		**356,798**	**359,414**
Total Assets		**395,700**	**399,760**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	44,054	41,677
Borrowings	13	272,747	228,129
Provisions	14	32,138	13,113
Total Current Liabilities		**348,939**	**282,919**
Non-Current Liabilities			
Trade and other payables	12	16,793	33,587
Provisions	14	727	13,763
Total Non-Current Liabilities		**17,520**	**47,350**
Total Liabilities		**366,459**	**330,269**
Net Assets		**29,241**	**69,491**
Equity			
Issued capital	15	792,829	792,829
Accumulated losses	16	(763,588)	(723,338)
Total Equity		**29,241**	**69,491**

The accompanying notes form part of these financial statements

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

	Notes	Issued capital $	Accumulated losses $	Total equity $
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**
Balance at 1 July 2017		**792,829**	**(723,338)**	**69,491**
Total comprehensive income for the year		-	(40,250)	(40,250)
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid		-	-	-
Balance at 30 June 2018		**792,829**	**(763,588)**	**29,241**

The accompanying notes form part of these financial statements

Statement of Cash Flows
for the year ended 30 June 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		524,013	511,596
Payments to suppliers and employees		(541,423)	(561,441)
Interest paid		(9,531)	(7,241)
Net cash provided by operating activies	**17**	**(26,941)**	**(57,086)**
Cash flows from investing activities			
Payments for property, plant and equipment		(2,064)	-
Payments for intangible assets		(15,267)	(15,267)
Net cash used in investing activities		**(17,331)**	**(15,267)**
Net decrease in cash held		**(44,272)**	**(72,353)**
Cash and cash equivalents at the beginning of the financial year		(227,936)	(155,583)
Cash and cash equivalents at the end of the financial year	**7(a)**	**(272,208)**	**(227,936)**

The accompanying notes form part of these financial statements

Notes to the Financial Statements

For the year ended 30 June 2018

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

<u>Compliance with IFRS</u>

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

<u>Critical accounting estimates</u>

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

<u>Historical cost convention</u>

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

<u>Comparative figures</u>

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

Application of new and amended accounting standards

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

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

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

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating lease of its branch. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to $69,469, on an undiscounted basis (see Note 18).

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

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

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

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

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

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

- design, layout and fit out of the Community Bank® branch
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- 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 2018 were $29,241 and the loss made for the year was $40,250, bringing accumulated losses to $763,588.

In addition:	$
Total assets were	395,700
Total liabilities were	366,459
Operating cash flows were	(26,941)

There was a 25% decrease in the loss recorded for the financial year ended 30 June 2018 when compared to the prior year.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Going concern (continued)

The company meets its day to day working capital requirements through an overdraft facility with an approved limit of $300,000 and was drawn to $272,747 as at 30 June 2018. The overdraft facility will be reviewed again in September 2018.

$9,531 of interest expense was incurred during the 2018 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 1 to 4. 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 will be able to operate within the level of its current overdraft facility.

The company has held discussions with Bendigo and Adelaide Bank Limited about its future borrowing needs. It is likely that these discussions will not be completed for some time but no matters have been drawn to its attention to suggest that renewal 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 2018/19 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.

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Margin (continued)

- 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.

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.

Note 1. Summary of significant accounting policies (continued)

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

Note 1. Summary of significant accounting policies (continued)

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.

g) Property, plant and equipment

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

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

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

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.

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.

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.
Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Financial liabilities

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

Impairment

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

l) Leases

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

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

m) Provisions

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

n) Issued capital

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(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

Note 2. Financial risk management (continued)

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from carried-forward 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

Note 3. Critical accounting estimates and judgements (continued)

Taxation (continued)

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.

Note 4. Revenue from ordinary activities

	2018 $	2017 $
Operating activities:		
- gross margin	354,766	329,205
- services commissions	32,845	43,187
- fee income	51,544	50,187
- market development fund	37,292	37,292
Total revenue from operating activities	**476,447**	**459,871**

	2018 $	2017 $

Note 5. Expenses

	2018 $	2017 $
Depreciation of non-current assets:		
- plant and equipment	3,410	4,859
- leasehold improvements	4,800	3,410
Amortisation of non-current assets:		
- franchise fee	(4,315)	2,517
- franchise renewal fee	16,053	12,328
	19,948	**23,114**
There has been a catch up and re-allocation of the amortisation of the above franchise fee expenses this financial year. In the previous financial year franchise fees were not correctly amortised over their useful life of five years which equates to 20%. Refer to Note 10.		
Finance costs:		
- interest paid	9,531	7,241
Bad debts	**29**	**47**

Note 6. Income tax expense

	2018 $	2017 $
The components of tax expense comprise:		
- Future income tax benefit attributable to losses	(13,566)	(18,370)
- Movement in deferred tax	(1,702)	(1,815)
- 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)
	(15,268)	**(20,269)**
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax credit as follows		
Operating loss	(55,518)	(74,104)
Prima facie tax on loss from ordinary activities at 27.5% (2016: 27.5%)	(15,268)	(20,379)
Add tax effect of:		
- non-deductible expenses	-	194
- timing difference expenses	1,702	1,815
	(13,566)	**(18,370)**
Movement in deferred tax	(1,702)	(1,815)
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)
	(15,268)	**(20,269)**

	Notes	2018 $	2017 $

Note 7. Cash and equivalents

	Notes	2018 $	2017 $
Cash at bank and on hand		540	194
		540	**194**
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		540	194
Bank overdraft	13	(272,748)	(228,130)
		(272,208)	**(227,936)**

Note 8. Trade and other receivables

	Notes	2018 $	2017 $
Trade receivables		32,723	32,457
Prepayments		5,639	7,695
		38,362	**40,152**

Note 9. Property, plant and equipment

	Notes	2018 $	2017 $
Leasehold improvements			
At cost		85,247	85,247
Less accumulated depreciation		(26,822)	(23,412)
		58,425	**61,835**
Plant and equipment			
At cost		86,775	84,711
Less accumulated depreciation		(73,666)	(68,866)
		13,109	**15,845**
Total written down amount		**71,534**	**77,680**
Movements in carrying amounts:			
Leasehold improvements			
Carrying amount at beginning		61,835	65,245
Less: depreciation expense		(3,410)	(3,410)
Carrying amount at end		**58,425**	**61,835**
Plant and equipment			
Carrying amount at beginning		15,845	20,704
Additions		2,064	(835)
Less: depreciation expense		(4,800)	(4,024)
Carrying amount at end		**13,109**	**15,845**
Total written down amount		**71,534**	**77,680**

Notes to the financial statements (continued)

	2018 $	2017 $

Note 10. Intangible assets

Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	-	-
Franchise fee		
At cost	21,297	21,297
Less: accumulated amortisation	(15,676)	(19,991)
	5,621	**1,306**
Renewal processing fee		
At cost	56,484	56,484
Less: accumulated amortisation	(28,381)	(12,328)
	28,103	**44,156**
Goodwill on purchase of agency	12,056	12,056
Total written down amount	**45,780**	**57,518**

Note 11. Tax

Non-Current:		
Deferred tax assets		
- accruals	770	715
- employee provisions	9,038	7,391
- tax losses carried forward	229,676	216,110
	239,484	**224,216**
Net deferred tax asset	**239,484**	**224,216**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**(15,268)**	**(9,317)**

Note 12. Trade and other payables

Current:		
Trade creditors	11,913	8,885
Other creditors and accruals	32,141	32,792
	44,054	**41,677**
Non-Current:		
Trade creditors	16,793	33,587

Note 13. Borrowings

Current:		
Bank overdraft	**272,747**	**228,129**

The company has an overdraft facility of $300,000 which is charged at an interest rate currently 4.111%. This overdraft is secured by a fixed and floating charge over the company's assets.

Note 14. Provisions

Current:		
Provision for annual leave	13,943	13,113
Provision for long service leave	18,195	-
	32,138	**13,113**
Non-Current:		
Provision for long service leave	727	13,763

Note 15. Issued capital

840,000 ordinary shares fully paid {2017: 840,000)	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).

Note 15. Issued capital (continued)

(c) Transfer

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

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

Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if, 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.

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.

	2018 $	2017 $
Note 16. Accumulated losses		
Balance at the beginning of the financial year	(723,338)	(669,503)
Net loss from ordinary activities after income tax	(40,250)	(53,835)
Balance at the end of the financial year	**(763,588)**	**(723,338)**

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	(40,250)	(53,835)
Non cash items:		
- depreciation	8,210	8,269
- amortisation	11,738	14,845

	2018 $	2017 $

Note 17. Statement of cash flows (continued)

	2018 $	2017 $
Changes in assets and liabilities:		
- (increase)/decrease in receivables	1,790	3,512
- (increase)/decrease in other assets	(15,268)	(20,268)
- increase/(decrease) in payables	850	(13,606)
- increase/(decrease) in provisions	5,989	3,997
- increase/(decrease) in current tax liabilities	-	-
Net cash flows provided by operating activities	**(26,941)**	**(57,086)**

Note 18. Leases

	2018 $	2017 $
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	6,941	5,252
- between 12 months and 5 years	31,300	39,930
	38,241	**45,182**

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

Note 19. Auditor’s remuneration

	2018 $	2017 $
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,400	1,500
- non audit services	2,430	1,365
	6,830	**2,865**

Note 20. Director and related party disclosures

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

Gary Robert Pollard

David Earlsley Roberts

Karli Joy Chase

Samantha Leigh Hicks

Ian Fraser MacKaskill

Russell George Wealands

Michael John Dalmau *(Appointed 1 October 2017)*

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.

Note 20. Director and related party disclosures (continued)

Directors Shareholdings	2018	2017
Gary Robert Pollard	36,001	36,001
David Earlsley Roberts	3,001	3,001
Karli Joy Chase	1,500	1,500
Samantha Leigh Hicks	-	-
Ian Fraser MacKaskill	-	-
Russell George Wealands	10,001	10,001
Michael John Dalmau *(Appointed 1 October 2017)*	-	-

There was 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.

	2018 $	2017 $
Note 22. Earnings per share		
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(40,250)	(53,835)
	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.

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.

	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		over 1 to 5 years		Over 5 years					
Financial Instrument	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 %**	**2017 %**
Financial assets												
Cash and cash equivalents	-	-	-	-	-	-	-	-	540	194	Nil	Nil
Receivables	-	-	-	-	-	-	-	-	32,723	32,457	N/A	N/A
Financial liabilities												
Interest bearing liabilities	272,748	228,130	-	-	-	-	-	-	-	-	3.87	3.66
Payables	-	-	-	-	-	-	-	-	11,913	8,885	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

Note 27. Financial instruments (continued)

	2018 $	2017 $
Change in profit/(loss)		
Increase in interest rate by 1%	(2,727)	(2,281)
Decrease in interest rate by 1%	2,727	2,281
Change in equity		
Increase in interest rate by 1%	(2,727)	(2,281)
Decrease in interest rate by 1%	2,727	2,281

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

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

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

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

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

Gary Robert Pollard
Chairman

Signed on the 20th September 2018.

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 2018 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.

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: 20 September 2018

David Hutchings
Lead Auditor

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66 High Street, Yea VIC 3717
Phone: 03 5797 2188
ABN: 55 141 660 086

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