Annual Report 2016

AGECOM Enterprises Limited

ABN: 68 138 046 303

Aspendale Gardens-Edithvale **Community Bank®** Branch

AGECOM

Enterprises Limited

Annual Report
+ Financial Statements
As At
30 June 2016

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2015 Chairman's Report

It is with great pleasure that I present the 2016 Chairman's report for AGECOM Enterprises Limited.

I was appointed to the Board on the 7th March 2016 and took the reins of Chairman from Anna MacDonald who was capably filling the post on an interim basis following the departure of Tony Harford last year. I would like to record the board's appreciation to Tony for the service he provided to the role and also to Anna for capably taking the position until a new Chairman was appointed.

I am pleased to provide an overview of the last 12 months operations, , an update of the financial position of the company, developments made within the board and plans now in place for the future growth of the company.

Overall the 2015/16 Financial Year provided a number of highlights but also our share of challenges.

Firstly congratulations to our branch who managed to grow the Funds under Management (the total of loans and deposits) from \$65.4m at 30/6/2015 to \$72.9m at 30/6/2016, an increase of \$7.5m or in excess 11% growth over the year.

Moreover there was significant growth towards the backend of the year which has created some momentum heading into the new financial year and a renewed positive outlook for the year ahead.

Although we are delighted that Funds under Management grew, are disappointed this did not translate into revenue which fell slightly from \$469k in 2015 to \$466k in 2016. This is due to the reducing margins on bank products affected by falling interest rates.
With tightening revenue top of mind we have become far more conscious of the expenses within our control, which reduced from \$518k in 2015 to \$507k in 2016.

Overall this resulted in a financial loss in to 30/6/2016 of \$41,359 (2015 loss \$48,133).
The biggest challenge remains bringing the company into profit and this is the main focus of Directors, Committee members and the branch team. Historically low interest rates have not helped the company. Lower interest rates have a twofold effect… firstly the margin (the difference be-tween the deposit rates and lending rates - and our main income stream) is reduced or "squeezed". Secondly lower rates mean that customer loan interest payments are reduced, how-ever, rather than reduce the loan repayment, many customers are typically maintaining their existing payment and therefore paying down their mortgages faster - great news for the customers, but it means that we need to write more business just to stand still… and competition for business is as strong as it has ever been.

In these times customers are able to choose their preferred financial institution and so the smallest things can make all the difference. Small things such as great customer service and personal attention..!

It is under these challenging circumstances that we have seen the development of a strong and committed branch team, capably led by our branch manager Kristy Marshall. Having a personal branch manager and a supportive team that are responsive to customer needs is a huge ad-vantage and Kristy has led her team to the pinnacle of the region, recently being recognised Bendigo Bank for the following Regional Awards:

2016 Bendigo Bank Bayside Region - Best Branch Team Award
2016 Bendigo Bank Bayside Region - Best Branch Manager Award - Kristy Marshall
A huge congratulations to Kristy and the wonderful team at the branch… Nicole, Sonia, Brooke, Catherine and Diana, well done!

This provides a very solid platform to the start of 2016/17 financial year and we are therefore very encouraged as to what the next 12 months will hold.

The Board has been focused in developing a clear strategy and, in line with good board governance, reviewing its risk and governance frameworks. Of particular focus is the way in which we engage with our community. This has involved bringing in experienced facilitators from within the Bendigo Bank network to help develop a business plan, as well as engaging 180Degrees Consulting, from Monash University, to help develop marketing strategies for the company. We are de-lighted with the outcomes and have recently commenced a rollout of their key recommendations.

The Board has recently undertaken a Board review and a Board skills analysis which will be used to improve the way we do business and provide a solid basis for future director engagements.

2015 Chairman's Report *(Cont.)*

We have recently completed a 3 hour Diversity Workshop focused on Occupational, Health and Safety compliances within the workplace and are currently rebuilding the risk register to ensure we are across the current risks within our business, looking forward, a significant role for all directors, committee members and staff will be to develop and strengthen relationships within our local community groups, organisations and sporting clubs.
Over the next year this will increase our presence within the community and ultimately help in delivering business back to the branch.

So as you can see, as a volunteer Director on the AGECOM Board there is a huge amount of time commitment required to ensure we provide the best opportunities to strengthen our community and for that I would like to thank each and every Director for their support and commitment to the role.

This year we have said farewell to the following Directors and I would like to thank them for their commitment and energy in moving the Company forward: Tony Harford (Chair), Adam Miller and Julie Wynn who recently had to step down due to other commitments.
I would like to introduce David Jones as a new director and welcome him to the company. Both Dave and I are required to offer ourselves for election to the Board at the 2016 AGM.
We must also recognise and thank our key partner in Bendigo Bank. Through their Regional Man-ager, Michelle McDonald, Bendigo has been supportive both at Board level and with business development resources at the branch. Michelle has now been joined by Mark Nolan and the extensive role of the Regional Manager has been divided into 2 roles… one focused on the Board and one focused on the branch. We are fortunate to have 2 experienced personnel fill these roles and look forward to strengthening our relationships with them.

There has recently been changes to the financial model and the way we share revenue with Bendigo Bank.

A core principle of the Community Bank model is a 50/50 share of margin earned on core banking products. To better reflect this core principal a new Revenue Share model was introduced from July 1 2016.
Bendigo and Adelaide Bank Ltd (BEN) has adopted a Funds Transfer Pricing (FTP) model for Community Bank Revenue Share, effective 1 July 2016. BEN applies its FTP methodology to regulatory reporting, performance management and revenue share.
The FTP model:
• is a method used to measure how much each account or product is contributing to overall profit-ability, given a current cost of marginal funding.
• gives the BEN Group a better understanding of the net interest margin component of overall profitability

• assigns a FTP rate based on the repricing characteristics and behavioural duration of products.

The BEN FTP revenue share sources Community Bank product data and then applies BEN's FTP rates to calculate revenue share for each Community Bank branch by core banking product i.e. loans and deposits. The FTP revenue share is reported to each community Bank company on a monthly basis.

The FTP methodology is reviewed annually with changes approved by BEN's Asset and Liability Management Committee (ALMAC). BEN's Board Risk Committee approves changes to the FTP Policy.

Due to its current mix of products, the new FTP Revenue Share model is anticipated to have minimal impact on the revenue of AGECOM Limited for the FYE 2017.

Our business growth is dependent on our community. Therefore we ask all members of munity to consider their banking choices. Next time you are considering financial advice, or banking solutions please consider our branch team at Aspendale Gardens Shopping Kristy and her team are award winning and I encourage you to drop in or pick up the phone (branch phone number 03 9588 0610) and experience their customer service for yourselves.

Andy Moutray-Read
Chairman

2015 Manager's Report

It is with pleasure that I submit my report to the shareholders for the financial year ended 30 June 2016.

Over the year our total business grew to $72.9 million, which was slightly below expectations, but a pleasing result in a very competitive market. Our business was split $36.2 million in lending, $29.9 million in deposits and $6.9 million in wealth and other banking products. This is a growth of $7.5 million from our previous year, or 11.5% total business growth.

We now hold around 4,213 accounts from our 2,455 customers, an increase of 5.4% from the previous year. Support for our unique Bendigo Bank brand has come from all sectors of our community, including personal and business.

Our branch continues to grow, as existing customers become our advocates and promote the benefits of supporting our Community Bank® branch. This advocacy is being lead particularly by the many not-for-profit groups that we have partnered since opening. These organisations are already seeing the rewards that banking with the Community Bank® branch can bring to them. Over the next 12 months we remain committed to developing our partnerships with these not-for-profit customers, so that we can all continue to share in the building of a stronger and more financially secure local community. With the support of these groups and our existing customers, I am confident that we can continue to grow our business to a level that enables us to record consistent month on month profits. We believe that to achieve this goal we need to grow our business this year by at least a similar amount as the year just past.

The Aspendale Gardens-Edithvale Community Bank® branch team now consists of myself, Nicole Pegrum, Sonia Peiris, Catherine Bromley, Diana Pereira and Brooke Arthur. I would like to recognise the excellent support and service they provide to our customers, our Board, our Regional Support team and myself.

I would also like to thank my Board of Directors who have worked tirelessly in promoting our Community Bank® branch along with our Regional Support team, including our Specialist Business Bankers and Financial Planners. They have all supported both the staff and me in our efforts to continue to grow our business.

Last but not least I would like that thank all our customers and shareholders who have supported our branch this year and in previous years. Without your support we would not have been able to achieve the results we have to date. I continue to ask that you be advocates for our branch and encourage your family, friends and associates to also support our branch to grow. The difference with the Community Bank® model is that every time people bank with our local Community Bank® branch, the bottom line increases and as such, community contributions and dividends increase too.

I look forward to the year ahead and the many challenges I am sure it will bring. Please feel free to contact us anytime at the Aspendale Gardens-Edithvale Community Bank® branch.

Kristy Marshall
Branch Manager

Bendigo & Adelaide Bank Report

For year ending 30 June 2016

It's been 18 years since Bendigo Bank and two rural communities announced they were joining forces to open **Community Bank®** branches.

The initial aim was to return traditional bank branches to regional community.

It was soon obvious that the 'community' aspect of this unique banking model was going to be just as important to all types of communities; whether they are rural, regional or urban.

Today, there are 312 **Community Bank®** communities in every state and territory of Australia.

The statistics are impressive:

- More than $148 million in community contributions returned to local communities
- 1,900 Directors
- 1,500 staff
- More than $38 million in shareholder dividends.

Yes, these figures are staggering.

But dig a little deeper and what's more significant is that social issues affecting every community in Australia have received funding from **Community Bank®** companies.

- Aged care
- Domestic and family violence
- Environment
- Youth disengagement
- Mental health
- Homelessness
- Unemployment

I have no doubt that your **Community Bank®** company has already had a role to play, either in a funding grant, sponsorship support or connecting locals with relevant government, corporate and not-for-profit organisations.

Behind every **Community Bank®** branch is a company Board of Directors. These people are local mums and dads, tradespeople, small business operators, farmers, lawyers, accountants, school teachers, office workers… and the list goes on.

As **Community Bank®** company Directors they volunteer their time, their professional expertise and their local knowledge to make your **Community Bank®** branch the success it is today.

To every single one of our 1,900-plus **Community Bank®** company Directors, thank you for your commitment, your confidence in Bendigo and Adelaide Bank and your vision to make your community a better place to live.

As a **Community Bank®** community, you're all change makers.

As a shareholder, you're critical to helping make things happen for the benefit of your community.

On behalf of Bendigo Bank, thank you.

Thank you for your support as a shareholder, your belief in your community and your faith in what a **Community Bank®** community can achieve.

Robert Musgrove
Executive Community Engagement

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

Directors

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

Andrew Paul Moutray-Read
Chairman *(Appointed 7 March 2016)*
Occupation: Consultant
Qualifications, experience and expertise: Andrew has been involved in community banking since 2006 when he helped commence the campaign to open Seddon community bank. Since then, Andrew has been a past Director and Chairman at Seddon, Flemington, Wantirna and is Chairman at Ormond McKinnon. Andrew has a background in accounting, real estate and currently a small business owner, Andrew provides a rounded experience to the board.

Anna McDonald
Deputy Chair
Occupation: R&D Tax Incentive Manager, Saving Point
Qualifications, experience and expertise: Anna's qualifications include Bachelor of Arts, Post Grad Diploma, Masters of Entrepreneurship and Innovation. Anna is currently involved with the Carrum sailing Club. Anna's past occupations include Director at Community Elco from 2014 - 2016, formerly CTO of Rezeko trading as EKO energy from 2007 - 2011 and then Senior Manager IT and New Product Development at AGL Solar. Key skills involve start-ups, commercialisation and supporting business growth.

Malcolm Andrew Cameron
Treasurer
Occupation: Chief Financial Officer
Qualifications, experience and expertise: With a formal qualification (Bachelor of Economics obtained from Monash University Clayton Campus in 1981), Mal has been employed by Ritchies Stores Pty Lts on a full time basis for over 25 years and currently heads up the Finance and Accounting Department. He was appointed Company Secretary on 28 June 1988 and Director on 31 Jan 2002.

David Andrew Jones
Secretary *(Appointed 3 June 2016)*
Occupation: Accountant
Qualifications, experience and expertise: Dave is a business leader with over 20 years of experience working in Senior Management and Executive level positions and is currently a Business Affairs Manager with the Special Broadcasting Service (SBS). A qualified accountant with a Business Degree, Dave has wide not-for-profit, commercial banking and government experience gained through working in both complex global organisations and small local entities in Australia, the United Kingdom, the United States and Japan. Dave lived in the local area for 14 years and during that time has been involved with the Chelsea Longbeach Surf Lifesaving club, the Edithvale Aspendale cricket club and is currently Treasurer for the Cornish College Parents Association.

Raymond John Smith
Director
Occupation: Retired
Qualifications, experience and expertise: Owned and operated body repair company for 45 years. Past President Rotary Club of Aspendale. Past Commodore Patterson River Motor Yacht Club.

John Gerhard Bainbridge
Director
Occupation: Retired
Qualifications, experience and expertise: John has been a resident of Chelsea for over 50 years and is now retired. John has had many years of experience in working for and with small to medium enterprises (SME's) including the role of general manager of a manufacturing business and the role of marketing and product development manager of an international company. John's industry and community involvement included establishment of trade related groups and chairman of a number of community organisations including the Chelsea and District Credit Co-operative Limited. John was appointed to the board of the Victoria Co-operative Association in 1975. John and Patricia have lived in the area for over 50 year raising their 5 children and are now enjoying time with their 9 grandchildren.

Directors *(continued)*

Kathryn Frances Walker
Director
Occupation: Accountant and HR Manager
Qualifications, experience and expertise: Kathryn has unique and diverse skills in that she is qualified in both human resources management and accounting. She graduated in Personnel Management as the top graduate in her final year. Kathryn was also entered on the Dean's list for her outstanding academic achievements and Waite Consulting awarded her the 'John R Waite' Memorial prize for excellent academic performance. To consolidate her management qualifications, Kathryn studied accounting and was granted membership of Australian CPAs. She is also a member of the Australian Human Resources Institute and the Australian Institute of Management. Kathryn's broad experience extends across various industries e.g. professional associations, not for profit, local government, an international personnel agency, finance and advertising amongst others. Kathryn has extensive experience in restructuring, industrial relations and identifying the skills mix required for business growth. Kathryn has a broad knowledge of accounting software.

Kevin John O'Donnell
Director
Occupation: Retired Lawyer
Qualifications, experience and expertise: Commercial Lawyer, Mentor, Author, Historian, Occasional Academic. LLB – University of Melbourne. LLM – Deakin University.

Julie Elizabeth Wynne
Director *(Resigned 1 August 2016)*
Occupation: Teacher
Qualifications, experience and expertise: I have worked in education for over 20 years and at St Louis de Montfort's for the past 15 years. Prior to returning to teaching in 2000. I ran my own business Real Plans, a real estate floor plan business and worked in the medical industry as a receptionist and practice manager. I believe that we are all lifelong learners and this is evident in my educational background, Diploma of Teaching, Bachelor of Education, Post Graduate Religious Education, Masters of Education, Post graduate Student Wellbeing, Literacy Leadership Certificate and Certificate 4 Education and Training. During my time at St Louis I have held numerous leadership positions, such as level Coordinator, Literacy Leader, Wellbeing Leader and Sustainability Leader. I have also managed and chaired numerous committees, well-being action groups, environmental team and garden-to-kitchen team. I also coordinated and led the junior literacy program across the school running meetings and professional development.

Anthony Patrick Harford
Director *(Resigned 7 December 2015)*
Occupation: Consultant
Qualifications, experience and expertise: Board Administration Officer - Rye & District Community Financial Services Limited. Program Facilitator - Australian Institute of Company Directors. Member Bendigo Bank Community Liaison panel.

Adam Ashley Miller (*Resigned 31 August 2015*)
Director
Occupation: Real Estate Agent
Qualifications, experience and expertise: Licensed Estate Agent, Advanced Certificate in Real Estate, Diploma of Marketing, Australian Marketing Institute National Finalist in 2011 for campaign submission 'Experiential Marketing'. Experienced in Marketing Communications Campaign Planning, Project Management, Event Management.

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 Andrew Jones. David was appointed to the position of secretary on 22 July 2016 after the taking over the role that Kevin John O'Donnell was temporarily filling from 2 February 2016 to 22 July 2016. Kathryn Frances Walker was company secretary before Kevin from December 2014. Qualifications and experiences of all three secretaries can be found above.

Principal Activities

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

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

Operating results

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

	Year ended 30 June 2016 $	Year ended 30 June 2015 $
	(41,359)	(48,133)

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.

Agecom Enterprises Limited
ABN 68 138 046 303
Directors' Report

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended					
			Finance		Community Engagement		Human Resources	
	Eligible	*Attended*	*Eligible*	*Attended*	*Eligible*	*Attended*	*Eligible*	*Attended*
Andrew Paul Moutray-Read *(Appointed 7 March 2016)*	4	4	3	2	4	4	3	3
Anna McDonald	11	10	-	-	7	7	4	4
Malcolm Andrew Cameron	11	9	11	10	-	-	-	-
David Andrew Jones *(Appointed 3 June 2016)*	1	1	1	1	-	-	1	1
Raymond John Smith	11	10	-	-	7	6	-	-
John Gerhard Bainbridge	11	10	11	11	7	6	-	-
Kathryn Frances Walker*	5	5	-	-	-	-	1	1
Kevin John O'Donnell	11	10	-	-	4	2	-	-
Julie Elizabeth Wynne (Resigned 1 August 2016)	11	7	-	-	-	-	4	4
Anthony Patrick Harford *(Resigned 7 December 2015)*	6	5	-	-	-	-	-	-
Adam Ashley Miller *(Resigned 31 August 2015)*	-	-	-	-	-	-	-	-

*Denotes approved leave of absence

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 5.

Signed in accordance with a resolution of the board of directors at Aspendale Gardens, Victoria on 26 September 2016.

Andrew Paul Moutray-Read, Chairman

Partners in success

Chartered Accountants

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Agecom Enterprises Limited

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

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 26 September 2016

David Hutchings
Lead Auditor

Agecom Enterprises Limited
ABN 68 138 046 303
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Revenue from ordinary activities	4	465,571	469,198
Employee benefits expense		(293,446)	(276,502)
Charitable donations, sponsorship, advertising and promotion		(21,790)	(42,164)
Occupancy and associated costs		(55,333)	(58,007)
Systems costs		(32,505)	(33,741)
Depreciation and amortisation expense	5	(21,754)	(30,362)
Finance costs	5	(13,971)	(12,497)
General administration expenses		(68,131)	(64,058)
Loss before income tax		**(41,359)**	**(48,133)**
Income tax	6	-	-
Loss after income tax		(41,359)	(48,133)
Total comprehensive income for the year		**(41,359)**	**(48,133)**
Earnings per share for loss attributable to the ordinary shareholders of the company:		¢	¢
Basic earnings per share	21	(5.57)	(6.49)

Agecom Enterprises Limited
ABN 68 138 046 303
Balance Sheet
as at 30 June 2016

	Notes	2016 $	2015 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	19,403	19,403
Trade and other receivables	8	54,628	30,629
Total Current Assets		**74,031**	**50,032**
Non-Current Assets			
Property, plant and equipment	9	91,352	99,494
Intangible assets	10	76,176	89,788
Total Non-Current Assets		**167,528**	**189,282**
Total Assets		**241,559**	**239,314**
LIABILITIES			
Current Liabilities			
Trade and other payables	11	41,914	29,945
Borrowings	12	337,107	290,795
Provisions	13	9,130	10,105
Total Current Liabilities		**388,151**	**330,845**
Non-Current Liabilities			
Trade and other payables	11	45,219	60,293
Provisions	13	8,029	6,657
Total Non-Current Liabilities		**53,248**	**66,950**
Total Liabilities		**441,399**	**397,795**
Net Liabilities		**(199,840)**	**(158,481)**
Equity			
Issued capital	14	712,707	712,707
Accumulated losses	15	(912,547)	(871,188)
Total Equity		**(199,840)**	**(158,481)**

The accompanying notes form part of these financial statements

Agecom Enterprises Limited
ABN 68 138 046 303
Statement of Changes in Equity
for the year ended 30 June 2016

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2014	712,707	(823,055)	(110,348)
Total comprehensive income for the year	-	(48,133)	(48,133)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2015	712,707	(871,188)	(158,481)
Balance at 1 July 2015	712,707	(871,188)	(158,481)
Total comprehensive income for the year	-	(41,359)	(41,359)
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	712,707	(912,547)	(199,840)

Agecom Enterprises Limited
ABN 68 138 046 303
Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		496,133	497,047
Payments to suppliers and employees		(515,809)	(531,642)
Interest received		580	830
Interest paid		(13,971)	(12,497)
Net cash used in operating activities	16	(33,067)	(46,262)
Cash flows from investing activities			
Payments for property, plant and equipment		-	(1,655)
Payment of intangible assets		(13,245)	-
Net cash used in investing activities		(13,245)	(1,655)
Net decrease in cash held		(46,312)	(47,917)
Cash and cash equivalents at the beginning of the financial year		(271,392)	(223,475)
Cash and cash equivalents at the end of the financial year	7(a)	(317,704)	(271,392)

The accompanying notes form part of these financial statements

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

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

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

	Effective for annual reporting periods beginning on or after
• AASB 9 Financial Instruments, and the relevant amending standards.	1 January 2018
• AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2018
• AASB 16 Leases	1 January 2019
• AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.	1 January 2016
• AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.	1 January 2016
• AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.	1 January 2016

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

a) Basis of preparation *(continued)*

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

	Effective for annual reporting periods beginning on or after
• AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.	1 January 2016
• AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2018
• AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.	1 January 2016
• AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.	1 January 2016
• AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016
• AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses.	1 January 2017
• AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107.	1 January 2017

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

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

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

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

a) Basis of preparation *(continued)*

Economic dependency - Bendigo and Adelaide Bank Limited *(continued)*

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

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

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

Going concern

The net liabilities of the company as at 30 June 2016 were $199,840 and the operating loss made for the year was $41,359, bringing accumulated losses to $912,547.

In addition:	**$**
Total assets were	241,559
Total liabilities were	441,399
Operating cash flows were	(33,067)

There was a 14% decrease in the loss recorded for the financial year ended 30 June 2016 when compared to the prior year.

The company meets its day to day working capital requirements through an overdraft facility. The overdraft has an approved limit of $400,000 and was drawn to $337,107 as at 30 June 2016.

An interest free period of two years expired. As a result $13,971 of interest expense was incurred during the 2016 financial year.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 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. Revenue has stabilised resulting in a lower 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 is likely to be required to increase 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 may not be forthcoming on acceptable terms. The company has also obtained an undertaking of support from Bendigo and Adelaide Bank Limited that it will continue to support the company and its operations for the 2016/17 financial year. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

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

a) Basis of preparation *(continued)*

Going concern *(continued)*

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

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

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

b) Revenue

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

Revenue calculation

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

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

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

Interest paid by customers on loans less interest paid to customers on deposits

plus any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,

minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

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

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

b) Revenue *(continued)*

Margin *(continued)*

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

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

Commission

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

Fee income

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

Ability to change financial return

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

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

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

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

Monitoring and changing financial return

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

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

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

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

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

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 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.

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.

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

g) Property, plant and equipment

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

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

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

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

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

k) Financial instruments *(continued)*

Classification and subsequent measurement

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

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

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

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

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

Impairment

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

l) Leases

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

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

m) Provisions

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

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

n) 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.

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

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

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%.

Note 2. Financial risk management *(continued)*

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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.

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

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

	2016 $	2015 $
Operating activities:		
- services commissions	464,991	454,098
Total revenue from operating activities	464,991	454,098
Non-operating activities:		
- interest received	580	830
- other revenue	-	14,270
Total revenue from non-operating activities	580	15,100
Total revenues from ordinary activities	465,571	469,198

Note 5. Expenses

	2016 $	2015 $
Depreciation of non-current assets:		
- furniture and fittings	4,604	5,964
- leasehold improvements	3,538	3,796
Amortisation of non-current assets:		
- establishment fee	-	16,667
- franchise fee	11,343	3,935
- franchise renewal fee	2,269	-
	21,754	30,362
Finance costs:		
- interest paid	13,971	12,497
Bad debts	2,103	6

Note 6. Income tax expense		**2016 $**	**2015 $**
The components of tax expense comprise:			
- Future income tax benefit attributable to losses		(12,559)	(11,150)
- Movement in deferred tax		1,979	2,210
- Adjustment to deferred tax to reflect change of tax rate in future periods		8,359	11,919
- Under provision of tax in the prior period		(1,208)	-
- Tax losses not brought to account		3,429	(2,979)
		-	-

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

Operating loss		(41,359)	(48,133)
Prima facie tax on loss from ordinary activities at 28.5% (2015: 30%)		(11,787)	(14,440)
Add tax effect of:			
- non-deductible expenses		-	5,500
- timing difference expenses		(772)	(2,210)
		(12,559)	(11,150)
Movement in deferred tax		1,979	2,210
Tax losses not brought to account		3,429	(2,979)
Under provision of income tax in the prior year		(1,208)	-
Adjustment to deferred tax to reflect future change of tax rate		8,359	11,919
		-	-

Income tax losses and deferred tax not brought to account

Future income tax benefit not brought to account:		226,235	220,695
Deferred tax asset on timing differences not brought to account:		3,647	5,759
		229,882	226,454

Future income tax benefits arising from tax losses are not recognised at reporting date as realisation of the benefit is not regarded as virtually certain.

Note 7. Cash and cash equivalents

Cash at bank and on hand		103	103
Term deposits		19,300	19,300
		19,403	19,403

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		103	103
Term deposits		19,300	19,300
Bank overdraft	12	(337,107)	(290,795)
		(317,704)	(271,392)

	2016	2015
Note 8. Trade and other receivables	**$**	**$**
Trade receivables	41,135	23,334
Prepayments	13,493	7,295
	54,628	30,629

Note 9. Property, plant and equipment

	2016	2015
Leasehold improvements		
At cost	115,853	115,853
Less accumulated depreciation	(46,597)	(43,059)
	69,256	72,794
Furniture and fittings		
At cost	66,561	66,561
Less accumulated depreciation	(44,465)	(39,861)
	22,096	26,700
Total written down amount	91,352	99,494

Movements in carrying amounts:

	2016	2015
Leasehold improvements		
Carrying amount at beginning	72,794	76,590
Additions	-	-
Disposals	-	-
Less: depreciation expense	(3,538)	(3,796)
Carrying amount at end	69,256	72,794
Furniture and fittings		
Carrying amount at beginning	26,700	30,357
Additions	-	1,655
Disposals	-	-
Less: depreciation expense	(4,604)	(5,312)
Carrying amount at end	22,096	26,700
Total written down amount	91,352	99,494

Note 10. Intangible assets

	2016 $	2015 $
Franchise fee		
At cost	21,343	21,343
Less: accumulated amortisation	(12,647)	(10,378)
	8,696	10,965
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	-	-
Renewal processing fee		
At cost	56,713	56,713
Less: accumulated amortisation	(13,233)	(1,890)
	43,480	54,823
Redomicile fee		
At cost	24,000	24,000
Total written down amount	76,176	89,788

Note 11. Trade and other payables

	2016 $	2015 $
Current:		
Trade creditors	6,770	4,943
Other creditors and accruals	35,144	25,002
	41,914	29,945
Non-Current:		
Other creditors and accruals	45,219	60,293

Note 12. Borrowings

	2016 $	2015 $
Current:		
Bank overdrafts	337,107	290,795
	337,107	290,795

The bank overdraft has an approved limit of $400,000 and currently attracts an interest rate of 4.285% per agreement with Bendigo and Adelaide Bank Limited. The bank overdraft is secured by a fixed and floating charge over the company's assets.

Note 13. Provisions

	2016 $	2015 $
Current:		
Provision for annual leave	9,130	10,105
Non-Current:		
Provision for long service leave	8,029	6,657

Note 14. Contributed equity

	2016 $	2015 $
741,909 ordinary shares fully paid (2015: 741,909)	741,909	741,909
Less: equity raising expenses	(29,202)	(29,202)
	712,707	712,707

Note 14. Contributed equity *(continued)*

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 any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 118. As at the date of this report, the company had 211 shareholders.

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Note 15. Accumulated losses

	2016 $	2015 $
Balance at the beginning of the financial year	(871,188)	(823,055)
Net loss from ordinary activities after income tax	(41,359)	(48,133)
Balance at the end of the financial year	(912,547)	(871,188)

Note 16. Statement of cash flows

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

	2016 $	2015 $
Loss from ordinary activities after income tax	(41,359)	(48,133)
Non cash items:		
- depreciation	8,142	9,760
- amortisation	13,612	20,602
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(23,999)	(10,223)
- increase/(decrease) in payables	10,140	(10,609)
- increase/(decrease) in provisions	397	(7,659)
Net cash flows used in operating activities	(33,067)	(46,262)

Note 17. Leases

Operating lease commitments
Non-cancellable operating leases contracted for but not capitalised in the financial statements
Payable - minimum lease payments:

	2016 $	2015 $
- not later than 12 months	42,783	42,408
- between 12 months and 5 years	117,654	159,030
- greater than 5 years		-
	160,437	201,438

The branch lease is a non-cancellable lease with a ten-year term, with rent payable monthly in advance. An option to renew the lease for a further five years is available.

Note 18. Auditor's remuneration

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

	2016 $	2015 $
- audit and review services	4,400	4,400
- other non audit services	2,430	2,290
	6,830	6,690

Note 19. Director and related party disclosures

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

Andrew Paul Moutray-Read *(Appointed 7 March 2016)*
Anna McDonald
Malcolm Andrew Cameron
David Andrew Jones *(Appointed 3 June 2016)*
Raymond John Smith
John Gerhard Bainbridge
Kathryn Frances Walker
Kevin John O'Donnell
Julie Elizabeth Wynne (Resigned 1 August 2016)
Anthony Patrick Harford *(Resigned 7 December 2015)*
Adam Ashley Miller *(Resigned 31 August 2015)*

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

Note 19. Director and related party disclosures *(continued)*

Directors Shareholdings	**2016**	**2015**
Andrew Paul Moutray-Read *(Appointed 7 March 2016)*	-	-
Anna McDonald	-	-
Malcolm Andrew Cameron	45,001	45,001
David Andrew Jones *(Appointed 3 June 2016)*	-	-
Raymond John Smith	5,001	5,001
John Gerhard Bainbridge	2,001	2,001
Kathryn Frances Walker	500	500
Kevin John O'Donnell	-	-
Julie Elizabeth Wynne (Resigned 1 August 2016)	-	-
Anthony Patrick Harford *(Resigned 7 December 2015)*	-	-
Adam Ashley Miller *(Resigned 31 August 2015)*	-	-

There was no movement in directors shareholdings during the year.

Note 20. Key Management Personnel Disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

Community Bank® Directors' Privileges Package

Agecom Enterprises Limited has accepted the **Community Bank®** Directors' Privileges package. The package is available to all directors who can elect to avail themselves of the benefits based on their personal banking with the Agecom **Community Bank®** branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders. The Directors have estimated the total benefits received from the Directors' Privilege Package to be $nil for the year ended 2016 (2015: $100).

Note 21.	**Earnings per share**	**2016 $**	**2015 $**
(a)	Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(41,359)	(48,133)
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	741,909	741,909

Note 22. Events occurring after the reporting date

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

Note 23. Contingent liabilities and contingent assets

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

Note 24. Segment reporting

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

Note 25. Registered office/Principal place of business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
Shop 12 Aspendale Gardens Shopping Centre 11 Narelle Drive Aspendale Gardens VIC 3195	95 Thames Promenade Chelsea VIC 3196

Note 26. Financial instruments

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

Financial instrument	Floating interest		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average	
	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $	2016 %	2015 %
Financial assets												
Cash and cash equivalents	-	-	19,300	19,300	-	-	-	-	103	103	3.01	4.30
Receivables	-	-	-	-	-	-	-	-	41,135	23,334	N/A	N/A
Financial liabilities												
Interest bearing liabilities	337,107	290,795	-	-	-	-	-	-	-	-	4.32	4.61
Payables	-	-	-	-	-	-	-	-	6,770	4,943	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 econo

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

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

	2016 $	2015 $
Change in profit/(loss)		
Increase in interest rate by 1%	(3,178)	(2,715)
Decrease in interest rate by 1%	(3,178)	(2,715)
Change in equity		
Increase in interest rate by 1%	(3,178)	(2,715)
Decrease in interest rate by 1%	(3,178)	(2,715)

Agecom Enterprises Limited
ABN 68 138 046 303
Directors' Declaration

In accordance with a resolution of the directors of Agecom Enterprises Limited , we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001* , including:

(i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

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

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

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

Andrew Paul Moutray-Read, Chairman

Signed on the 26th of September 2016.

Partners in success

Chartered Accountants

Independent auditor's report to the members of Agecom Enterprises Limited

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

Independence

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

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss before tax of $41,359 during the year ended 30 June 2016, and as of that date, the company's liabilities exceeded its total assets by $199,840. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Auditor's opinion on the financial report

In our opinion:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 26 September 2016

David Hutchings
Lead Auditor

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