Balmain / Rozelle

Financial Services Limited

2015 Annual Report

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CHAIRMAN'S REPORT

The 2014/15 financial year has been a challenging period for Balmain/Rozelle Financial Services Limited (BRFSL). During this period we continued to be below budgeted growth across most sectors of the business which has resulted in an overall loss. Bendigo and Adelaide Bank, in conjunction with the Board have acted decisively to address these circumstances and we have every confidence in the future of the business.

The loss incurred during the period has seen a number of changes at both Board and branch level. There have been recent changes within the Board, ultimately resulting in the replacement of the majority of Directors. The new financial year brings a primarily new Board of Directors to support the future growth of the business. Additionally, the branch has relocated to 600 Darling Street; across the road from About Life. The relocation will provide fresh new premises in a more central location for the local community.

These changes have been carefully thought through with the key goal being to make BRFSL profitable and sustainable over the long term. This will be achieved through four simple focuses at a Board and business level: growing the business, a close working relationship with the Board and Bendigo and Adelaide Bank, managing costs and engaging local Directors.

Despite the losses, the staff lead by Paul Moujalli have managed to continue their exceptional customer service. The staff are to be commended on their engagement within the local community and with the relocation.

We wish to recognise the efforts of all Directors over the last 12 months. The commitment and drive of these volunteer Directors is highly commendable. We welcome the new Directors that have recently joined the Board and commend them for their commitment towards the work anticipated over the coming 12 months.

Whilst BRFSL, the staff, shareholders and the community have faced some difficult times together, we look forward to a confident, profitable and sustainable future together.

Amy Land

Michael A Phillipou

Amy Land

Regional Manager
Bendigo Adelaide Bank

Michael Phillipou

NSW/ACT State Manager
Bendigo Adelaide Bank

NOTE NEW ADDRESS
600 Darling Street, Rozelle, 2039
~~1/597 Darling Street, Rozelle NSW 2039~~,
PO Box 1295, Rozelle NSW 2039 Phone 02 9555 7443 Fax 02 9555 8773 ABN 95 112 711 654
Franchisee of Bendigo and Adelaide Bank Limited ABN 11 068 049 178 AFSL 237879

MANAGER'S REPORT

One cannot say how quick time has passed since taking up the role as your Manager of Balmain / Rozelle **Community Bank**® Branch.

When I reflect on the year that was, some of the key milestones could not be achieved without acknowledging the following:

Staff

Mary, Cameron, Lauren and David who all continue to provide our customers with outstanding service and advice and remain the backbone of our business. The stability of our staff remains one of the key factors underlining our success and is much appreciated by all our stakeholders.

Bendigo and Adelaide Bank

Amy, David, Tracey and their support staff, for without them we would not be able to provide the full services offered by our unique banking model that are missing in today's business world.

Board

Richard, Ian, John and Greg for their commitment and support in ensuring that the business remains relevant in today's changing economic environment as well as the contributions made within the community.

Community

We, your **Community Bank**® branch, this year continued to support local organisations, schools, sporting clubs and not-for-profit groups and over the last nine years have contributed approximately $400,000 and this financial year it included following:

- Rozelle Public School P & C
- Orange Grove Public School P & C
- Sydney Secondary College (including Ryda Program)
- Friends of Balmain Library (FOBL)
- Balmain Library Knitters
- Balmain Football District Association
- Balmain Fun Run
- Balmain Little Athletics
- Balmain / Rozelle Family Fun Day
- Rozelle Village Fair

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In Conclusion

A big thanks to the efforts of our people, our peers and partners, we're starting to see the benefits, as the collaborative approach is driving positive outcomes for the whole community we operate in.

As **Community Bank®** company shareholders you are part of a unique banking movement. Not only is this model offering an alternative way to think about banking, it is also the role banks play in modern society and communities, so it goes without saying, because of your support there really is no limit to what can be achieved for local people and the communities in which you live.

Thank you for your ongoing support of your local **Community Bank®** branch and we look forward to the next 12 months in reassuring you that this phase will be the most exciting period since the commencement of this business.

The support provided to me by our Chairman and his Board, including the Ambassadors, is greatly appreciated as this has allowed management and staff to focus on the business.

To all the shareholders it is your support that established the **Community Bank®** branch and to that end we at Balmain / Rozelle **Community Bank®** Branch encourage you to visit us and give my staff the opportunity to provide you with more than your current bank is doing for you and your local area.

If I can say that when you bank with us you're investing back into the community, which is one of the key reasons for our business existing in Balmain / Rozelle.

On behalf of my team we thank you for your support and as the festive season approaches we wish you and your loved ones a happy, healthy and safe festive season and beyond.

Paul Moujalli
Branch Manager

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600 Darling Street, Rozelle, 2039
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Balmain / Rozelle

Financial Services Limited

Financial Statements

as at

30 June 2015

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

Directors

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

Richard James Ware
Chairman
Occupation: Retired Real Estate Agent
Qualifications, experience and expertise:
Richard is a licensed real estate agent, licensed auctioneer and registered valuer. He worked in the Glebe and Balmain from 1980 as a real estate agent, valuer and property manager until he sold the business in 2005. Richard is a director of the company that runs the Simpson Desert Cycle Challenge. He is a life member of the Freshwater Surf Life Saving Club and a member of the Glebe Chamber of Commerce of which he was a founding Vice President. Richard has a Diploma in Human Relations.
Special responsibilities:
Interest in shares: 20,000

Ian Ferguson
Occupation: Retired
Qualifications, experience and expertise:
Ian was forty years with the Department of School Education including ten years as Principal of the Ultimo Primary School where, on his retirement, he received a civic reception at the Sydney Town Hall hosted by the Lord Mayor.
He is president of the Rotary Club of West Sydney and a member of the Rotary Club of Balmain. Ian is Chairman of the Port Jackson Life Education providing drug programs to schools in the inner west. He is also chairman of the Laurie Nichols Foundation.
Special responsibilities: Marketing
Interest in shares: 1,000

John Anthony Civitarese (*Resigned 14 October 2015*)
Occupation: Business Consultant
Qualifications, experience and expertise:
John has been a board member since 2008. He is a consultant in retail business and in property management. He has 43 years experience in property management and retail management in the hospitality and health food industry. He is a past president and member of the Haberfield Chamber of Commerce and a past member and charter president of the Rotary Club of Haberfield.
Special responsibilities: Grants and sponsorship
Interest in shares: Nil

Gregory Baliol Pattison (*Appointed 29 June 2015*)
Occupation:
Qualifications, experience and expertise:
Greg has over 40 years experience in executive and general management roles in manufacturing, wholesaling, photofinishing and finance. Prior to retirement he spent 20 years with the NSW Business Chamber holding several general positions. His role involved the establishment of the largest sector New Apprenticeships Centre in NSW, a WHS and workers compensation policy and the delivery of industrial relations services to members. Greg has held a number of directorships during his career. He has been a resident of Balmain for over 33 years. He holds a B. Comm (Econ) and an MBA.
Special responsibilities: HR Committee
Interest in shares: Nil

Anthony Maiorana (*Resigned 16 November 2014*)
Director
Occupation: Senior Ministerial Liaison Officer
Qualifications, experience and expertise:
Anthony is a senior ministerial liaison officer with the NSW Government and has 40 years experience in the managing projects and the development of government policy. He is a director of the Whiddon Group. He holds a Grad Certificate in Public Sector Management and an MA(Public Sector Leadership).
Special responsibilities:
Interest in shares: Nil

Directors (*continued*)

Vanessa Kathleen Rowland (*Resigned 18 August 2014*)
Director
Occupation: Human Resources Consultant
Qualifications, experience and expertise:
Vanessa is a human resources professional who has held management roles in the finance and IT industries. She is currently consulting to corporates and SMEs supporting their business objectives by identifying and implementing aligned people strategies. Vanessa holds a B. Business, M Industrial Relations and a Grad AICD Company Director's Course.
Special responsibilities: Human Resources
Interest in shares: Nil

Peter English (*Appointed 23 October 2015*)
Director
Occupation: Senior Manager - Bendigo & Adelaide Bank Ltd

Chris Nalyor (*Appointed 23 October 2015*)
Director
Occupation: Senior Manager - Bendigo & Adelaide Bank Ltd

John Jobling (*Appointed 23 October 2015*)
Director
Occupation: Leichardt Councillor

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 Cynthia Nadai. Cynthia was appointed to the position of secretary on 4 November 2014.
Qualifications, experience and expertise:
Cynthia was a founding board member. She is chair of the Charities Aid Foundation. Cynthia commenced her career in Boston USA as a management consultant. She then worked of the Travelers Corporation in the diversified financial services, responsible for the Trust Department of their Boston Bank.
Cynthia moved to Sydney 1995 and worked as Director of Operations and as a Consultant for the St James Ethics Centre. Cynthia continues her work at the Centre as an ethics counsellor, participant in the Restorative Forums managed by the NSW Attorney General and Justice and as a member of the Fundraising Institute of Australia's Ethics Committee. She has a BSc and an MBA.

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

The operations of the company have been affected by the requirement to write off a significant proportion of the leasehold improvements on the current premises and also to write of some fixtures and fittings as the result of the decision to move premises. Underlying performance continued in line with expectations. The loss of the company for the financial year after provision for income tax was:

Year ended 30 June 2015 $	Year ended 30 June 2014 $
(116,309)	(23,844)

Operating and financial review

The board has not exercised the option to extend the lease on the current premises at 597 Darling Street Rozelle which expires on 22 August 2015. The lease was extended to 22 November 2015. On 12 May 2015 the directors signed a lease for one of two shops at 600 Darling Street, Rozelle which the company will move into when the refurbishment is completed in early November. The board intends to expand into the second shop in May 2016 when the lease expires for the current tenant. As the result of this decision the company has written off most of the refurbishment of the current premises in the 2015 financial year together with some fixtures and fittings that will not be required in the new premises. Removing the effect of this write off, the loss of the company for the financial year after tax would have been: ($32,051).

The directors determined to relocate the business for the following reasons:

- The new premises are in a far superior location, directly opposite the shopping strip's most frequented businesses.
- The old premises are at the end of the shopping strip and has low visibility/profile and minimal passing pedestrian traffic.
- The new premises offer a rent savings of approximately $5,500 per month in stage 1 and $1,700 per month following expansion into the second shop.

The cost of fitout is estimated at $99,210 for stage 1 and $139,250 when the company expands in the second shop. The board has arranged an overdraft with Bendigo & Adelaide Bank to cover stage one of the refurbishment. When the renovations are complete the overdraft will be replaced by a 5 year term loan. The board is currently in negotiations with Bendigo & Adelaide Bank regarding finance for stage 2 of the renovations in May 2016. The company is required to make good the current premises at an expected cost of $45,000.

A change to the profit sharing arrangement with Bendigo & Adelaide Bank Ltd is proposed to commence on 1 July 2016. The main changes are:

- Margin share on core banking products will be 50/50, to be calculated under a funds transfer pricing (FTP) based model.
- Term deposits over 90 days and fixed rate home loans will become margin rather than commission products.
- Market Development Fund (MDF) will be adjusted to provide greater support to new and less profitable sites, and less to established profitable sites. MDF will also be adjusted to support collaborative marketing.

Based on the product mix of business at 31 March 2015 these changes are anticipated to increase the company's annual revenue by about $70,000. This estimate will be affected by the general economic conditions prevailing at the time, the product mix and level of business of the company.

Remuneration report

The branch manager is employed directly by the company. His salary is determined by the board based on a recommended salary range provided by Bendigo and Adelaide Bank Ltd for managers of similar experience and ability in similar branches. The remuneration package includes a fixed salary and superannuation as required by law. No part of the remuneration is based on performance. The salary is reviewed annually in accordance with guidelines recommended by Bendigo and Adelaide Bank Ltd.

No director of the company received any remuneration in their capacity as a director of the company. All positions are held on a voluntary basis. No loans exist between the company and the directors.

During the financial year no goods or services were provided to the company for remuneration by the directors or any of their associates.

Directors shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Richard James Ware	20,000	-	20,000
Ian James Ferguson	1,000	-	1,000

No other directors or their associates held shares in the company during the year.

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 other 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.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended	
	Eligible	*Attended*
Richard Ware	10	10
Ian Ferguson	10	10
John Civitarese (*Resigned 14 October 2015*)	10	10
Vanessa Rowlands (*Resigned 18 August 2014*)	1	1
Tony Maiorana (*Resigned 16 November 2014*)	5	4
Gregory Pattison (*Appointed 29 June 2015*)	1	1

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 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 6.

Signed in accordance with a resolution of the board of directors at Balmain, NSW on 9 November 2015.

Peter English

Peter English, Director

Partners in success

Chartered Accountants

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Balmain/Rozelle Financial Services Limited

As lead auditor for the audit of Balmain/Rozelle Financial Services Limited for the year ended 30 June 2015, 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

David Hutchings
Lead Auditor

Dated: 9 November 2015

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

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Balmain / Rozelle Financial Services Limited
ABN 95 112 711 654
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2015

	Notes	2015 $	2014 $
Revenue from ordinary activities	4	539,719	513,636
Employee benefits expense		(280,915)	(262,910)
Charitable donations, sponsorship, advertising and promotion		(31,775)	(31,494)
Occupancy and associated costs		(134,031)	(126,082)
Systems costs		(15,085)	(14,557)
Depreciation and amortisation expense	5	(103,828)	(24,823)
Finance costs	5	(23)	(16)
General administration expenses		(92,043)	(83,008)
Loss before income tax credit		**(117,981)**	**(29,254)**
Income tax credit	6	1,672	5,410
Loss after income tax credit		(116,309)	(23,844)
Total comprehensive income for the year		**(116,309)**	**(23,844)**
Earnings per share for loss attributable to the ordinary shareholders of the company:		¢	¢
Basic earnings per share	22	(12.92)	(2.65)

The accompanying notes form part of these financial statements

Balmain / Rozelle Financial Services Limited
ABN 95 112 711 654
Balance Sheet
as at 30 June 2015

	Notes	2015 $	2014 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	25,163	41,890
Trade and other receivables	8	50,122	37,736
Total Current Assets		**75,285**	**79,626**
Non-Current Assets			
Property, plant and equipment	9	52,195	141,426
Intangible assets	10	2,051	15,936
Deferred tax asset	11	182,908	181,236
Total Non-Current Assets		**237,154**	**338,598**
Total Assets		**312,439**	**418,224**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	22,843	25,224
Provisions	14	23,853	12,286
Total Current Liabilities		**46,696**	**37,510**
Non-Current Liabilities			
Provisions	14	2,472	1,134
Total Non-Current Liabilities		**2,472**	**1,134**
Total Liabilities		**49,168**	**38,644**
Net Assets		**263,271**	**379,580**
Equity			
Issued capital	15	863,146	863,146
Accumulated losses	16	(599,875)	(483,566)
Total Equity		**263,271**	**379,580**

The accompanying notes form part of these financial statements

Balmain / Rozelle Financial Services Limited
ABN 95 112 711 654
Statement of Changes in Equity
for the year ended 30 June 2015

	Issued capital $	Accumulated Losses $	Total equity $
Balance at 1 July 2013	863,146	(459,722)	403,424
Total comprehensive income for the year	-	(23,844)	(23,844)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2014	863,146	(483,566)	379,580
Balance at 1 July 2014	863,146	(483,566)	379,580
Total comprehensive income for the year	-	(116,309)	(116,309)
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	863,146	(599,875)	263,271

Balmain / Rozelle Financial Services Limited
ABN 95 112 711 654
Statement of Cash Flows
for the year ended 30 June 2015

	Notes	2015 $	2014 $
Cash flows from operating activities			
Receipts from customers		594,820	567,245
Payments to suppliers and employees		(597,091)	(568,976)
Interest received		145	171
Interest paid		(4)	(16)
Net cash used in operating activities	17	(2,130)	(1,576)
Cash flows from investing activities			
Payments for property, plant and equipment		(712)	(498)
Payments for intangible assets		(13,885)	(13,884)
Net cash used in investing activities		(14,597)	(14,382)
Net decrease in cash held		(16,727)	(15,958)
Cash and cash equivalents at the beginning of the financial year		41,890	57,848
Cash and cash equivalents at the end of the financial year	7(a)	25,163	41,890

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

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

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

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

a) Basis of preparation *(continued)*

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

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

	Effective for annual reporting periods beginning on or after
• AASB 9 Financial Instruments, and the relevant amending standards.	1 January 2018
• AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2017
• AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.	1 January 2016
• AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.	1 January 2016
• AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.	1 January 2016
• AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.	1 January 2016
• AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2016
• AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.	1 January 2016
• AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.	1 January 2016
• AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.	1 July 2015
• AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.	1 July 2015
• AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016

The company has not elected to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2014. Therefore the abovementioned accounting standards or interpretations have no impact on amounts recognised in the current period or any prior period.

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 Rozelle, NSW.

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.

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

a) Basis of preparation *(continued)*

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

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

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

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

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

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

Going concern

The net assets of the company as at 30 June 2015 were $263,272 and the loss made for the year was $116,309 bringing accumulated losses to $599,875. A significant portion of the 2015 loss has resulted from the write off of leasehold improvements in anticipation of the company's move to new branch premises next period.

In addition:	$
Total assets were	312,439
Total liabilities were	49,168
Operating cash flows were	(2,130)

The company meets its day to day working capital requirements through the occasional use of an overdraft facility that is due for renewal in January 2016. The overdraft has an approved limit of $150,000 and was undrawn as at 30 June 2015. (see also note 7(a) to the financial statements).

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

a) Basis of preparation *(continued)*

Going concern *(continued)*

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 1 to 4. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

The current economic environment is difficult and while revenue continues to increase the company has again reported an operating loss for the year. The directors consider that the outlook presents significant challenges in terms of banking business volume and pricing as well as for operating costs. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current overdraft facility.

The company has held discussions with Bendigo and Adelaide Bank Limited about its future borrowing needs. It is likely that these discussions will not be completed for some time but no matters have been drawn to its attention to suggest that renewal 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 2015/16 financial year. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

The company has arranged an additional overdraft facility of $100,000 with Bendigo and Adelaide Bank to assist with the refurbishment of the new branch. This will convert to a principal and interest loan when the refurbishments are complete. See note 13 for further details.

The directors have concluded that the combination of the circumstances above represents a material uncertainty that casts 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.

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

b) Revenue *(continued)*

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.

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.

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

b) Revenue *(continued)*

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.

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).

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

c) Income tax *(continued)*

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

(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

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.

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(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.

Note 2. Financial risk management *(continued)*

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2015 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

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.

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

	2015 $	2014 $
Operating activities:		
- services commissions	489,527	463,472
- other revenue	50,003	50,004
Total revenue from operating activities	539,530	513,476
Non-operating activities:		
- interest received	189	160
Total revenue from non-operating activities	189	160
Total revenues from ordinary activities	539,719	513,636

Note 5. Expenses

	2015 $	2014 $
Depreciation of non-current assets:		
- plant and equipment	20,201	7,851
- leasehold improvements	69,742	3,087
Amortisation of non-current assets:		
- franchise agreement	2,314	2,314
- franchise renewal fee	11,571	11,571
	103,828	24,823
Finance costs:		
- interest paid	23	16
Bad debts	1,557	(375)

Note 6. Income tax credit

	2015 $	2014 $
The components of tax credit comprise:		
- Current tax	-	-
- Future income tax benefit attributable to losses	(5,341)	(4,231)
- Movement in deferred tax	(6,075)	(1,179)
- Adjustment to deferred tax to reflect change to tax rate in future periods	9,627	-
- Under/(Over) provision of tax in the prior period	117	-
	(1,672)	(5,410)

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

Note 6 Income tax credit *(continued)*	**2015 $**	**2014 $**
Operating loss	(117,981)	(29,254)
Prima facie tax on loss from ordinary activities at 30%	(35,394)	(8,777)
Add tax effect of:		
- non-deductible expenses	-	149
- timing difference expenses	30,053	4,397
	(5,341)	(4,231)
Movement in deferred tax	(6,075)	(1,179)
Adjustment to deferred tax to reflect change of tax rate in future periods	9,627	-
Under/(Over) provision of income tax in the prior year	117	-
	(1,672)	(5,410)

Note 7. Cash and cash equivalents

Cash at bank and on hand	9,239	38,920
Term deposits	15,924	2,970
	25,163	41,890

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	9,239	38,920
Term deposits	15,924	2,970
	25,163	41,890

Note 8. Trade and other receivables

Trade receivables	37,902	25,562
Prepayments	11,661	12,159
Other receivables and accruals	559	15
	50,122	37,736

Note 9. Property, plant and equipment

Leasehold improvements		
At cost	124,682	123,970
Less accumulated depreciation	(96,458)	(26,716)
	28,224	97,254

Note 9. Property, plant and equipment *(continued)*

	2015 $	2014 $
Plant and equipment		
At cost	38,499	38,499
Less accumulated depreciation	(28,438)	(25,015)
	10,061	13,484
Furniture and fittings		
At cost	69,324	69,324
Less accumulated depreciation	(55,414)	(38,636)
	13,910	30,688
Total written down amount	52,195	141,426

Movements in carrying amounts:

	2015 $	2014 $
Leasehold improvements		
Carrying amount at beginning	97,254	100,341
Additions	712	-
Less: depreciation expense	(69,742)	(3,087)
Carrying amount at end	28,224	97,254
Plant and equipment		
Carrying amount at beginning	13,484	16,910
Less: depreciation expense	(3,423)	(3,426)
Carrying amount at end	10,061	13,484
Furniture and fittings		
Carrying amount at beginning	30,688	34,615
Additions	-	498
Less: depreciation expense	(16,778)	(4,425)
Carrying amount at end	13,910	30,688
Total written down amount	52,195	141,426

Note 10. Intangible assets

	2015 $	2014 $
Franchise fee		
At cost	11,570	11,570
Less: accumulated amortisation	(11,231)	(8,917)
	339	2,653
Establishment fee		
At cost	60,000	60,000
Less: accumulated amortisation	(60,000)	(60,000)
	-	-
Renewal processing fee		
At cost	57,853	57,853
Less: accumulated amortisation	(56,141)	(44,570)
	1,712	13,283
Total written down amount	2,051	15,936

Note 11. Tax

Non-Current:

	2015 $	2014 $
Deferred tax assets		
- accruals	2,776	1,683
- employee provisions	7,701	4,026
- property, plant & equipment	66	-
- tax losses carried forward	175,492	179,504
	186,035	185,213
Deferred tax liability		
- accruals	17	5
- property, plant & equipment	-	539
- deductible prepayments	3,110	3,433
	3,127	3,977
Net deferred tax asset	182,908	181,236
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(1,672)	(5,410)

Note 12. Trade and other payables

Current:

	2015 $	2014 $
Trade creditors	2,295	9,210
Other creditors and accruals	20,548	16,014
	22,843	25,224

Note 13. Borrowings

The company has an approved overdraft facility of $150,000 from Bendigo & Adelaide Bank Ltd. The facility is secured over all present and after acquired property of the company. The interest rate at 30 June 2015 was 4.225% (2014: 4.695). The facility is ongoing and reviewed annually in January. The facility is available of the day to day running of the company. The facility was not in use at 30 June 2015.

The company has an additional overdraft facility of $100,000 from Bendigo & Adelaide Bank Ltd approved in June 2015. This facility is provided solely to assist with the refurbishment of new branch premises. The interest rate on the facility is the Business Solutions Non Resi Secured Overdraft rate currently 9.45%. Once the refurbishment is complete the overdraft will be replaced by a Principal & Interest Variable Non-Residential Secured Loan repayable over 5 years. The interest rate on this loan is the same as the rate on the overdraft.

Note 14. Provisions	**2015 $**	**2014 $**
Current:		
Provision for annual leave	23,853	12,286
	23,853	12,286
Non-Current:		
Provision for long service leave	2,472	1,134

Note 15. Contributed equity

900,011 ordinary shares fully paid (2014: 900,011)	900,011	900,011
Less: equity raising expenses	(36,865)	(36,865)
	863,146	863,146

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.

Note 15 Contributed equity *(continued)*

(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").

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

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

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

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

Note 16. Accumulated losses	**2015 $**	**2014 $**
Balance at the beginning of the financial year	(483,566)	(459,722)
Net loss from ordinary activities after income tax	(116,309)	(23,844)
Balance at the end of the financial year	(599,875)	(483,566)

Note 17. Statement of cash flows

	2015 $	2014 $
Reconciliation of loss from ordinary activities after tax to net cash used in operating activities		
Loss from ordinary activities after income tax	(116,309)	(23,844)
Non cash items:		
- depreciation	89,943	10,938
- amortisation	13,885	13,885
Changes in assets and liabilities:		
- (increase)/decrease in receivables	1,110	2,581
- (increase)/decrease in other assets	(2)	(293)
- increase/(decrease) in payables	(1,990)	(10,231)
- increase/(decrease) in provisions	12,905	10,798
- increase/(decrease) in current tax liabilities	(1,672)	(5,410)
Net cash flows used in operating activities	(2,130)	(1,576)

Note 18. Leases

	2015 $	2014 $
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	69,597	106,416
- between 12 months and 5 years	188,000	8,917
- greater than 5 years	39,167	
	296,764	115,333

The lease on the current premises at 597 Darling Street Rozelle expires on 22 August 2015. The board has determined not to exercise the option to renew the lease for a further five years. Bendigo & Adelaide Bank Ltd have arranged a lease on 597 Darling Street until 22 November 2015. The company will bear the 50% of the cost of the rent for the 3 months to November. On 12 May 2015 the directors signed a lease for part of 600 Darling Street, Rozelle which the company will move into as soon as refurbishment has been completed. The lease is a non-cancellable lease with a six year term with rent payable monthly in advance.

Note 19. Auditor's remuneration

	2015 $	2014 $
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	5,101	4,950
- share registry services	1,750	1,500
	6,851	6,450

Note 20. Director and related party disclosures

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

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

Note 21. Dividends paid or provided

The company has never paid a dividend and does not propose to pay a dividend for 2015.

The company has no franking credits.

Note 22. Earnings per share

		2015 $	2014 $
(a)	Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(116,309)	(23,844)
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	900,011	900,011

Note 23. Events occurring after the reporting date

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

Note 24. Contingent liabilities and contingent assets

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

Note 25. Segment reporting

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

Note 26. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
75 Lyons Road	600 Darling Street
Drummoyne NSW 2047	Rozelle NSW 2039

Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	$	$	$	$	$	$	$	$	$	$	%	%
Financial assets												
Cash and cash equivalents	9,058	38,862	15,924	2,969	-	-	-	-	187	58	0.48	0.45
Receivables	-	-	-	-	-	-	-	-	37,902	25,562	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	-	0.00	0.00
Payables	-	-	-	-	-	-	-	-	13,102	19,614	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

As at 30 June 2015, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2015	2014
	$	$
Change in profit/(loss)		
Increase in interest rate by 1%	250	418
Decrease in interest rate by 1%	250	418
Change in equity		
Increase in interest rate by 1%	250	418
Decrease in interest rate by 1%	250	418

Balmain / Rozelle Financial Services Limited
ABN 95 112 711 654
Directors' Declaration

In accordance with a resolution of the directors of Balmain / Rozelle Financial Services Limited, we state that:

In the opinion of the directors:

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

  (i) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and

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

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

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

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

P English

Peter English, Director

Signed on 9 November 2015.

Partners in success

Chartered Accountants

Independent auditor's report to the members of Balmain/Rozelle Financial Services Limited

Report on the financial report

We have audited the accompanying financial report of Balmain/Rozelle Financial Services Limited, which comprises the balance sheet as at 30 June 2015, 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.

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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.

Auditor's opinion on the financial report

In our opinion:

1. The financial report of Balmain/Rozelle Financial Services 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 2015 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.

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 after tax of $116,309 during the year ended 30 June 2015, further reducing the company's net assets to $263,271. 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.

Report on the remuneration report

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

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Balmain/Rozelle Financial Services Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

David Hutchings
Lead Auditor

Dated: 9 November 2015