Annual Report 2016

Balmain Rozelle Financial Services Limited

ABN 95 112 711 654

Balmain Rozelle **Community Bank**® Branch

Contents

Chairman's Report

The 2015/16 year was one of significant changes for Balmain/Rozelle Financial Services Limited (BRFSL). Those changes did have an impact on the financial performance of the business. Nevertheless there was an improvement in the operating result albeit the business still recorded a loss for the year.

The most significant change was the relocation of the business to 600 Darling Street Rozelle. Circumstances meant the move had to be executed in two stages over several months and it was not completed until May. While this was not ideal the bank is now much better located opposite the most visited business in the area. The move is an investment in the future and is expected to contribute positively to the growth of the business. It would not have been possible for BRFSL to undertake the relocation without the financial and project management support of Bendigo and Adelaide Bank.

We have renewed the Franchise Agreement with Bendigo Bank for a further 5 years.

As was reported in last year most members of the Board stepped aside in the first half of 2015/16. Since then there has been a concerted effort to rebuild the Board and to broaden its skills base and diversity. New directors have been recruited and are contributing positively. Refreshing the Board is still a work in progress and more work needs to be done particularly to attract female directors.

The Board doesn't underestimate the task it has in returning the business to profit, restoring shareholder value and as a consequence, growing the level of support provided to the local community. There is still a lot of work to be done and success won't be instantaneous. However it remains confident about the future. Early results to changes in the profit-sharing arrangements between Bendigo and Adelaide Bank and Community Banks which came into effect from July 2016 have been encouraging and positive progress has been made towards improved cooperation between metropolitan Community Banks to build all our businesses.

Our staff are at the front line and they, in particular, have had to bear the brunt of the disruption to the business caused by the relocation. Under Paul Moujalli's leadership they have been unfailing in the delivery of superior customer service despite the challenges and I congratulate and thank them on behalf of the Board.

Your Board are all volunteers. They give freely of their expertise time and most importantly enthusiasm for the Community Bank concept. I thank them for their generous contribution during the year.

More work needs to be done but with the continuing support of the Bendigo and Adelaide Bank BRFSL does have a positive future.

Greg Pattison
Chairman

MANAGERS REPORT

At the time of writing this report I look back and reflect on how quick time has moved in last 12 months and the changes that have taken place in repositioning the business as your Manager of Balmain / Rozelle **Community Bank**® Branch of Bendigo Bank.

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

- The relocation of the business stage one was completed early 3 November 2015 with stage two opened on 11 May 2016, what a fabulous location for all to enjoy.
- Our total book footings are at $80.136M as at 30 June 2016 an $11.2M increase on previous year.
- Over 1,600 customers maintaining accounts with the business.
- 248 new accounts opened during the financial year.
- We farewelled two staff members during the year; Cameron & Lauren who have perused their chosen career paths.
- Welcomed Julie to our team who brings along a sales & retention background to the business.
- To the existing staff Mary & David who remain the pillars of the business with their continued commitment to the business and community.
- The Franchisor Bendigo Bank team for their ongoing support of the business and provision of products & services in meeting customer expectations.

Board:

It must be acknowledged that after many years of service by my previous board Richard, Cynthia, John & Ian who laid the changes we have undergone in thanking them 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. In particular the relocation to our new site.

To the new Board members lead by Greg and his team, Alex, the two John's, Richard, Cliff & Peter who now bring with them many years of professional experience to the benefit of all stakeholders and the business overall.

Community:

We your **Community Bank**® Branch this year continued to support local organisations, schools, sporting clubs and Not for Profit groups and over the years included the following:

Balmain Little Athletics.
Balmain Football District Association.
Balmain / Rozelle Family Fun Day.
Rozelle Public School P & C.
FOBL (Friends of Balmain Library).
Balmain Library Knitters.
Balmain Fun Run.
Birchgrove Public School P&C.
Orange Grove Public School P & C.
Sydney Secondary College P&C.

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 as this model offers an alternative way to think about banking, where your bank plays a supportive role in modern society and communities. Because of your support, there really is no limit to what can be achieved for local people and the communities in which you live.

On behalf of my team and the board, thank you for your ongoing support of your local Community Bank® branch and 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 is greatly appreciated as this has allowed us and the staff to move towards a growth period not experienced before.

To all the shareholders it is your support that established the Community Bank and to that end we at Balmain / Rozelle encourage you to visit us and give my staff the opportunity to provide you 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 & your loved ones a happy, healthy & safe one going forward.

Paul Moujalli
Manager

Bendigo and 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:

Gregory Baliol Pattison
Chairman
Occupation: Retired
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 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 Balmain resident for over 34 years. He holds a B. Comm (Econ) and an MBA.
Special responsibilities:
Interest in shares: Nil

Alexander George Ebert
Deputy Chairman *(Appointed 30 November 2015)*
Occupation: Accountant
Qualifications, experience and expertise:
Alex operates an accounting practice in Abbotsford established in 2002. He is a certified registered practising NTAA Tax Agent & Accountant and a Fellow Member of the National Tax & Accountant's Association Ltd.
Through his practice he initiated the Abbotsford Public School's Mathematics Award, to recognise and encourage young students to achieve in arithmetic. The practice also sponsors several other student activities at Abbotsford School. Alex also supports fundraising activities through Rotary.
Special responsibilities:
Interest in shares: **Nil**

John Fara
Treasurer *(Appointed 30 November 2015)*
Occupation: Accountant
Qualifications, experience and expertise:
John is a director of Fiducia Advisors Pty Ltd an accounting and business services firm in Rozelle. He is a Fellow of CPA Australia, Fellow of the Taxation Institute of Australia and Chartered Tax Advisor. He has over 20 years experience in commerce and the accounting profession . He holds a Bachelor Degree in Commerce and a Graduate Diploma in Advanced Taxation from the University of New South Wales.
John is a past President of CPA Australia NSW Division, and has held roles including as member of the small business taskforce, liaison to and member of the NSW Public Practice Committee and Chair of the Young Professionals Committee. He is currently the CPA Australia representative on the Joint State Tax Liaison Committee. John has served as an executive officer of the Balmain Rozelle Chamber of Commerce.
Special responsibilities:
Interest in shares: Nil

Richard Nigel Shaw
Secretary *(Appointed 9 June 2016)*
Occupation: Business Advisor
Qualifications, experience and expertise:
Richard has 30 years experience in financial services and banking having held operational, senior management and executive positions. He is currently consulting as a business advisor to SME's. During his career he has held roles as portfolio accountant, certified financial planner, stockbroker, mortgage lender, practice development manager, practice general manager and head of advice.
Richard is a member of the North Sydney PCYC Executive Committee and has volunteered abroad.
Richard holds an MBA (Executive), Master of Business Coaching, Governance & Risk Management Certification and is a Certified Financial Planner. He is a member of the Australian Institute of Company Directors, the Financial Planning Association of Australia and a Justice of the Peace.
Interest in shares: Nil

Directors *(continued)*

John Hughes Jobling *(Appointed 23 October 2015)*
Director
Occupation: Retired
Qualifications, experience and expertise:
John was a pharmacist at Sydney University. He was a member of the NSW Parliament from 1984 to 2003 and a Councillor on Leichhardt from 2012 to 2016. He became an advisor to the Inner West Council in 2016 when the inner west councils amalgamated. John was Chairman of the Defence Reserve Support Council NSW from 2000 to 2008 and is currently a Director of St John Ambulance NSW. He is a former President and member of Castlereagh Probus Club Sydney.
Interest in shares: Nil

Peter Edmund English
Director *(Appointed 23 October 2015)*
Occupation: Senior Manager - Bendigo and Adelaide Bank Ltd
Qualifications, experience and expertise:
Peter has 34 years experience in retail banking with branch, area, regional and senior management roles. For the past 17 years he has been with the Bendigo & Adelaide Bank in the Community Bank Department. Peter is currently Senior Manager - Community Bank Analytics & Support responsible for monitoring, analysing, reporting and supporting 314 Community Bank branches nationally.
Peter is the past president of both the Bendigo Agricultural Society and the Polwarth Sheep Breeders Assoc. of Australia. Other community involvement includes the Bendigo Retail Traders Assoc., the Bendigo Chamber of Commerce and a number of livestock/agriculture groups and committees.
Peter has a Diploma of Business Studies/Accounting.
Interest in shares: Nil

Christian Raymond Naylor
Director *(Appointed 23 October 2015, Resigned 2 May 2016)*
Occupation: Senior Manager - Bendigo and Adelaide Bank Ltd
Qualifications, experience and expertise:
Chris has over 30 years banking experience having worked for a major Australian bank and now with Bendigo & Adelaide Bank. He has extensive experience in consumer lending. Chris has had several years experience as a Community Bank director and is actively involved with numerous sporting associations.
Special responsibilities:
Interest in shares: Nil

Richard James Ware
Chairman *(Resigned 9 November 2015)*
Occupation: Retired
Qualifications, experience and expertise:
Richard is a licensed real estate agent, licensed auctioneer and registered valuer. He worked in Glebe and Balmain from 1980 as a real estate agent, valuer and property manager until he sold his 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.
Interest in shares: 20,000

Ian Ferguson
Director *(Resigned 13 October 2015)*
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 if 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:
Interest in shares: 1,000

Directors *(continued)*

John Anthony Civitarese
Director *(Resigned 14 October 2015)*
Occupation: Business Consultant
Qualifications, experience and expertise:
John became a board member in 2008. He is a consultant in retail business and property management. He has 42 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:
Interest in shares: Nil

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 Richard Nigel Shaw. He was appointed to the position of secretary on 9 June 2016. His details are shown above.

Cynthia Nadia resigned as secretary on 9 June 2016. She was a founding board member. Cynthia worked in the financial services industry until moving to Sydney in 1995 where she used her skills in the not for profit sector. She is chair of Good2Give (previously Charities Aid Foundation). Cynthia has a BSc and a MBA.

Principal Activities

The principal activities of the company during the course of the financial year were in facilitatingCommunity **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 for both this year and last year were significantly affected by expenses related to the move to new premises. Underlying performance continued in line with expectations. The loss for the company for the financial year after provision for income tax was:

	Year ended 30 June 2016 $	Year ended 30 June 2015 $
	(53,369)	(116,309)

Operating and financial review

The company moved to new premises at 600 Darling Street on 3 November 2015. 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 were at the end of the shopping strip and had 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 move to the new premises occurred in two stages. The initial cost of the fit out for Shop 1A at 600 Darling Street and the make good of the previous premises at 597 Darling Street was $141,400 (ex GST). The cost to integrate and fit out the second shop cost $152,800 (ex GST). The business closed briefly at the end of April and reopened on 12 May 2016 to allow the fit out to take place.

The first stage of the fit out has been financed by a 15 year term loan from Bendigo & Adelaide Bank Ltd. The interest rate is the bank's Business Solutions Term Loan - Security Other Than Residential rate which is currently 7.15%. The minimum monthly repayment on the loan is $918. The board is currently negotiating with Bendigo & Adelaide Bank Ltd to finance the second stage of the fit out. A loan for the full amount of the fit out will be required.

The company's operating results were significantly affected in 2015 and 2016 by the need to write off leasehold improvements on the old premises and plant and equipment that was not transferred to the new premises.

A change to the profit sharing arrangement with Bendigo & Adelaide Bank Ltd commenced 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.

During the year estimates of the likely effect of the change in the profit sharing were made. These estimates varied significantly due to the general economic conditions prevailing at the time, the product mix and level of business of the company. The estimates showed an improvement in annual revenue ranging from $41K to $85K. Results for the first months of the financial year will be available at the Annual General Meeting.

Dividends

No dividends were declared or paid in the 2015 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 re ults of those operations or the state of affairs

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 theirposition 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

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*
Gregory Baliol Pattison	11	10
Alexander George Ebert *(Appointed 30 November 2015)*	6	3
John Fara *(Appointed 30 November 2015)*	6	6
Richard Nigel Shaw *(Appointed 9 June 2016)*		
John Hughes Jobling *(Appointed 23 October 2015)*	8	7
Peter Edmund English *(Appointed 23 October 2015)*	8	6
Christian Raymond Naylor *(Appointed 23 October 2015, Resigned 2 May 2016)*	6	5
Richard James Ware *(Resigned 9 November 2015)*	3	3
Ian Ferguson *(Resigned 13 October 2015)*	2	2
John Anthony Civitarese *(Resigned 14 October 2015)*	2	2

Proceedings on behalf of the company

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

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

Non audit services

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

The board of directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.*

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

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

Auditor's independence declaration

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

Signed in accordance with a resolution of the board of directors at Balmain, NSW on 12 September 2016.

Gregory Baliol Pattison, Chairman

Partners insuccess

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 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
Dat ed: 12 September 2016

David Hutchings
Lead Auditor

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Balmain / Rozelle Financial Services Limited
ABN 95112 711 654
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Revenue from ordinary activities	4	504,315	539,719
Employee benefits expense		(267,482)	(280,915)
Charitable donations, sponsorship, advertising and promotion		(27,147)	(31,775)
Occupancy and associated costs		(135,180)	(134,031)
Systems costs		(26,330)	(15,085)
Depreciation and amortisation expense	5	(63,744)	(103,828)
Finance costs	5	(1,780)	(23)
General administration expenses		(93,348)	(92,043)
Loss before income tax credit		**(110,696)**	**(117,981)**
Income tax credit	6	57,327	1,672
Loss after income tax credit		(53,369)	(116,309)
Total comprehensive income for the year		**(53,369)**	**(116,309)**
Earnings per share for loss attributable to the ordinary shareholders of the company:		C	C
Basic earnings per share	22	(5.93)	(12.92)

The accompanying notes form part of these financial statements

Balmain / Rozelle Financial Services Limited
ABN 95112 711 654
Balance Sheet
as at 30 June 2016,

	Notes	2016 $	2015 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	13,375	25,163
Trade and other receivables	8	40,820	50,122
Total Current Assets		**54,195**	**75,285**
Non-Current Assets			
Property, plant and equipment	9	260,538	52,195
Intangible assets	10	56,934	2,051
Deferred tax asset	11	240,235	182,908
Total Non-Current Assets		**557,707**	**237,154**
Total Assets		**611,902**	**312,439**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	212,665	22,843
Borrowings	13	17,524	
Provisions	14	18,120	23,853
Total Current Liabilities		**248,309**	**46,696**
Non-Current Liabilities			
Trade and other payables	12	53,550	
Borrowings	13	96,233	
Provisions	14	3,907	2,472
Total Non-Current Liabilities		**153,690**	**2,472**
Total Liabilities		**401,999**	**49,168**
Net Assets		**209,903**	**263,271**
Equity			
Issued capital	15	863,146	863,146
Accumulated losses	16	(653,243)	(599,875)
Total Equity		**209,903**	**263,271**

The accompanying notes form part of these financial statements

Balmain / Rozelle Financial Services Limited
ABN .95112 711 654
Statement of Changes in Equity
for the year ended 30 June 2016

	Issued capital $	Accumulated Losses $	Total equity $
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			
Equity raising costs			
Dividends provided for or paid			
Balance at 30 June 2015	863,146.	(599,875)	263,271
Balance at 1 July 2015	863,146	(599,875)	263,271
Total comprehensive income for the year		(53,369)	(53,369)
Transactions with owners in their capacity as owners:			
Shares issued during period			
Equity raising costs			
Dividends provided for or paid			
Balance at 30 June 2016	863,146	(653,244)	209,902

The accompanying notes form part of these financial statements

Balmain / Rozelle Financial Services Limited
ABN 95 112 711 654
Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		553,844	594,820
Payments to suppliers and employees		(564,130)	(597,091)
Interest received		390	145
Interest paid		(598)	(4)
Net cash used in operating activities	17	(10,494)	(2,130)
Cash flows from investing activities			
Payments for property, plant and equipment		(111,067)	(712)
Payments for intangible assets		(1,995)	(13,885)
Net cash used in investing activities		(113,062)	(14,597)
Cash flows from financing activities			
Proceeds from borrowings		99,196	
Repayment of borrowings		(926)	
Net cash provided by financing activities		98,270	
Net decrease in cash held		(25,286)	(16,727)
Cash and cash equivalents at the beginning of the financial year		25,163	41,890
Cash and cash equivalents at the end of the financial year	7(a)	{123)	25,163

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 January2019
• 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 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.

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.

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

a) Basis of preparation *(continued)*

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

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 2016 were $209,903 and the loss made for the year was $53,369, bringing accumulated losses to $653,243.

In addition:	$
Total assets were	611,902
Total liabilities were	401,999
Operating cash flows were	(10,494)

There was a 54% decrease in the loss recorded for the financial year ended 30 June 2016 when compared to the prior year. The loss for both the 2015 and the 2016 year was significantly affected by expenses incurred in relocating premises.

The company meets its day to day working capital requirements through an overdraft facility that is due for renewal on January 2017. The overdraft has an approved limit of $150,000 and was drawn to $13,498 as at 30 June 2016.

The company has a 15 year term loan from Bendigo & Adelaide Bank Ltd to finance stage 1 of the fitout of new premises. The loan of $100,000 was drawn down on 2 May 2016. The interest rate is the bank's Business Solutions Term Loan - Security other than residential rate which is currently 7.15%. The minimum monthly repayment on the loan at 30 June 2016 was $918.

The board is currently negotiating with Bendigo & Adelaide Bank Ltd to finance the full amount of the second stage of the fitout of the premises at 600 Darling Street costing around $153,000 (ex GST).

$596 of interest expense was incurred during the 2016 financial year on the overdraft and $1,184 on the term loan.

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 6. 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 declined and 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 for day to day operations.

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

a)* Basis of preparation *(continued)

Going concern *(continued)*

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

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 Bank®** 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.

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

b)* Revenue *(continued)

Margin

Margin is arrived at through the following calculation:

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

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

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

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

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

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

Commission

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

Fee income

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

Ability to change financial return

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

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

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 restrictjon on the change Bendigo and Adelaide Bank Limited may make.

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

Monitoring and changing financial return

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

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

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

b)Revenue(continuedJ

Monitoring and changing financial return (continued)

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.

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.

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

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

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

k)* Financial instruments *(continued)

Derecognition

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

Classification and subsequent measurement

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

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

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

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where 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.

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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:

Note 2. Financial risk management *(continued)*

(vi) Capital management *(continued)*

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 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.

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.

Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

Note 4. Revenue from ordinary activities

	2016 $	2015 $
Operating activities:		
- services commissions	453,931	489,527
- other revenue	50,000	50,003
Total revenue from operating activities	503,931	539,530
Non-operating activities:		
- interest received	384	189
Total revenue from non-operating activities	384	189
Total revenues from ordinary activities	504,315	539 719

Note 5. Expenses

		2016	2015
		$	$
Depreciation of non-current assets:			
- plant and equipment		11,957	20,201
- leasehold improvements		29,020	69,742
- furniture and fittings		9,091	
Amortisation of non-current assets:			
- franchise agreement		2,277	2,314
- franchise renewal fee		11,399	11,571
		63 744	103,828
Finance costs:			
- interest paid		1 780	23
Bad debts		7	1 557

Note 6. Income tax credit

		2016	2015
The components of tax credit comprise:			
- Future income tax benefit attributable to losses		(51,731)	(5,341)
- Movement in deferred tax		(5,596)	(6,075)
- 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
		(57,327)	(1,672)
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax credit as follows			
Operating loss		(110,696)	(117,981)
Prima facie tax on loss from ordinary activities at 28.5% (2015: 30%)		(31,548)	(35,394)
Add tax effect of:			
- non-deductible expenses		538	
- timing difference expenses		(20,721)	30,053
		(51,731)	(5,341)
Movement in deferred tax		(5,596)	(6,075)
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
		(57,327)	(1,672)

Note 7. Cash and cash equivalents

		2016	2015
Cash at bank and on hand		100	9,239
Term deposits		13,275	15,924
		13 375	25 163

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:

		2016	2015
Cash at bank and on hand		100	9,239
Term deposits		13,275	15,924
Bank overdraft	13	(13,498)	
		(123)	25,163

Note 8. Trade and other receivables

	2016	2015
	$	$
Trade receivables	31,974	37,902
Prepayments	8,794	11,661
Other receivables and accruals	52	559
	40,820	50,122

Note 9. Property, plant and equipment

	2016	2015
Leasehold improvements		
At cost	167,257	124,682
Less accumulated depreciation	(1,508)	(96,458)
	165,749	28,224
Plant and equipment		
At cost	71,763	38,499
Less accumulated depreciation	(5,639)	(28,438)
	66,124	10,061
Furniture and fittings		
At cost	31,877	69,324
Less accumulated depreciation	(3,212)	(55,414)
	28,665	13,910
Total written down amount	260,538	52,195

Movements in carrying amounts:

	2016	2015
Leasehold improvements		
Carrying amount at beginning	28,224	97,254
Additions	166,545	712
Less: depreciation expense	(29,020)	(69,742)
Carrying amount at end	165,749	28,224
Plant and equipment		
Carrying amount at beginning	10,061	13,484
Additions	68,020	
Less: depreciation expense	(11,957)	(3,423)
Carrying amount at end	66,124	10,061
Furniture and fittings		
Carrying amount at beginning	13,910	30,688
Additions	23,846	
Less: depreciation expense	(9,091)	(16,778)
Carrying amount at end	28,665	13,910
Total written down amount	260,538	52,195

Note 10. Intangible assets

	2016 $	2015 $
Franchise fee		
At cost	11,297	11,570
Less: accumulated amortisation	(1,938)	(11,231)
	9,359	339
Establishment fee		
At cost	60,000	60,000
Less: accumulated amortisation	(60,000)	(60,000)
Renewal processing fee		
At cost	56,484	57,853
Less: accumulated amortisation	(9,687)	(56,141)
	46,797	1,712
Borrowing Costs		
At cost	804	
Less: accumulated amortisation	(26)	
	778	
Total written down amount	56,934	2,051

Note 11. Tax

Non-Current:

	2016 $	2015 $
Deferred tax assets		
- accruals	7,084	2,776
- employee provisions	5,869	7,701
- property, plant & equipment	1,261	66
- tax losses carried forward	227,223	175,492
	241,437	186,035
Deferred tax liability		
- accruals	15	17
- deductible prepayments	1,187	3,110
	1,202	3,127
Net deferred tax asset	240,235	182,908
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(57,327)	1,672

The May 2016 budget proposed reducing the company tax rate for small business from 28.5% to 27.5% from 1 July 2016. In the event that legislation is passed, the value of the companies deferred tax asset will be reduced by $8,429 to $231,806.

	2016	2015
Note 12. Trade and other payables	$	$
Current:		
Trade creditors	21,777	2,295
Other creditors and accruals	190,888	20,548
	212,665	22,843
Non-Current:		
Trade creditors	53,550	
	53,550	

Note 13. Borrowings

	2016	2015
Current:		
Bank overdrafts	13,498	
Bank loan	4,026	
	17,524	
Non-Current:		
Bank loan	96,233	
	96,233	

The bank loan is a 15 year term loan with minimum monthly repayments of $918 which will be repaid by May 2031. The interest rate is the bank's Business Solutions Term Loan - security other than residential rate which is currently 7.15% (2015: NA). The loans are secured by a fixed and floating charge over the company's assets.

Note 14. Provisions

	2016	2015
Current:		
Provision for annual leave	18,120	23,853
	18,120	23,853
Non-Current:		
Provision for long service leave	3,907	2,472

Note 15. Contributed equity

	2016	2015
900,011 ordinary shares fully paid (2015: 900,011)	900,011	900,011
Less: equity raising expenses	(36,865)	(36,865)
	863,146	863,146

Note 15. 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").

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	2016 $	2015 $
Balance at the beginning of the financial year	(599,875)	(483,566)
Net loss from ordinary activities after income tax	(53,369)	(116,309)
Balance at the end of the financial year	(653,244)	(599,875)

Note 17. Statement of cash flows

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

Loss from ordinary activities after income tax	(53,369)	(116,309)
Non cash items:		
- depreciation	50,068	89,943
- amortisation	13,702	13,885
Changes in assets and liabilities:		
- (increase)/decrease in receivables	9,302	1,110
- (increase)/decrease in other assets	(57,327)	(2)
- increase/(decrease) in payables	31,428	(1,990)
- increase/(decrease) in provisions	(4,298)	12,905
- increase/(decrease) in current tax liabilities		(1,672)
Net cash flows used in operating activities	(10,494)	(2.130)

Note 18. Leases	2016 $	2015 $
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	101,000	69,597
- between 12 months and 5 years	308,973	188,000
- greater than 5 years		39,167
	409.973	296.764

The rental lease is a non-cancellable lease expiring on 22 August 2020, with rent payable monthly in advance. The lease on Shop 1A 600 Darling Street was surrendered on 1 May 2016 when a new lease for all of Lot 1 600 Darling Street commenced. The expiry of the lease is aligned to the expiry of the franchise agreement.

Note 19. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	7,320	5,101
- share registry services	1,800	1,750
	9120	6851

Note 20. Director and related party disclosures

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

Gregory Baliol Pattison
Alexander George Ebert *(Appointed 30 November 2015)*
John Fara *(Appointed 30 November 2015)*
Richard Nigel Shaw *(Appointed 9 June 2016)*
John Hughes Jobling *(Appointed 23 October 2015)*
Peter Edmund English *(Appointed 23 October 2015)*
Christian Raymond Naylor *(Appointed 23 October 2015, Resigned 2 May 2016)*
Richard James Ware *(Resigned 9 November 2015)*
Ian Ferguson *(Resigned 13 October 2015)*
John Anthony Civitarese *(Resigned 14 October 2015)*

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

Directors Shareholdings

Gregory Baliol Pattison		
Alexander George Ebert *(Appointed 30 November 2015)*		
John Fara *(Appointed 30 November 2015)*		
Richard Nigel Shaw *(Appointed 9 June 2016)*		
John Hughes Jobling *(Appointed 23 October 2015)*		
Peter Edmund English *(Appointed 23 October 2015)*		
Christian Raymond Naylor *(Appointed 23 October 2015, Resigned 2 May 2016)*		
Richard James Ware *(Resigned 9 November2015)*	20,000	20,000
Ian Ferguson *(Resigned 13 October 2015)*	1,000	1,000
John Anthony Civitarese *(Resigned 14 October 2015)*		

There was no movement in directors shareholdings during the year.

Note 21. Key Management Personnel Disclosures

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

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

Note 22. Earnings per share		**2016** $	**2015** $
(a)	Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(53,369)	(116,309)
		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 Drummoyne, NSW 2047	600 Darling Street 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**		**Overs years**					
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
	$	$	$	$	$	$	$	$	$	$	%	%
Financial assets												
Cash and cash equivalents	-	9,239	13,375	15,924	-	-	-	-	100	187	1.84	0.48
Receivables	-	-	-	-	-	-	-	-	31,974	37,902	NIA	N/A
Financial liabilities												
Interest bearing liabilities	113,756	-	-	-	-	-	-	-	-	-	4.49	0.00
Payables	-	-	-	-	-	-	-	-	75,327	13,102	NIA	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 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%	{1,004)	252
Decrease in interest rate by 1%	(1,004)	252
Change in equity		
Increase in interest rate by 1%	{1,004)	252
Decrease in interest rate by 1%	(1,004)	252

Baima.in / Rozelle Financial Services Limited
ABN 95112 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 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

(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.

Gregory Baliol Pattison, Chairman

Signed on the 12th of September 2016.

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 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 Sta ndards. 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 manag ement .

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 $53,369 during the year ended 30 June 2016, further reducing the company's net assets to $209,903. 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 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 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: 12 September 2016

David utchings
Lead Auditor

Partners in success

Chartered Accountants

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