



# Annual Report 2015

Balnarring & District  
Community Services Limited

ABN 00 127 842 059

Balnarring & District **Community Bank®** Branch

# Contents

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# Chairman's report

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For year ending 30 June 2015

## Your bank, sharing profits, investing in our community

It gives me a great deal of pleasure to present this, the 7th Annual Report of Balnarring & District Community Services Limited, to shareholders.

The 2014/15 financial year has seen significant achievements by our **Community Bank**<sup>®</sup> company and as the financial report shows, our business continues to grow and prosper. The full year operating profit for 2014/15 before tax and community contributions was \$198,415. Total business growth was \$12.6 million, against a budgeted growth of \$10 million, which is another excellent result for our business.

Once again, we recognise the vital contribution of our Branch Manager Jason Symonds and his team of Glenys, Kathryn, Melinda, Sue and Tracey, to this significant achievement. On behalf of the Board of Directors, our shareholders and customers, I thank them for their continuing commitment to high standards of excellence and their ongoing passion for the business and its customers and to our community.

I would like to acknowledge the hard work of my fellow Directors, already busy people who are prepared to devote significant time and energy to our **Community Bank**<sup>®</sup> branch. We also thank our Regional Manager Simon Sponza and the Bendigo Bank Regional Support Team, with whom we work very closely and who support us in many ways.

Over the past 12 months we have further built on our support for our communities from Somers to Flinders, with investments in excess of \$110,000. Sponsorships, donations and grants to the many local community groups and organisations working to make their community even better have included:

- Balnarring, Bittern and Shoreham CFA brigades
- Balnarring Senior Citizens
- Somers Residents' Association
- Peninsula Summer Music Festival
- Flinders Art Show
- Disabled Surfers' Association
- Point Leo Foreshore Reserve.

Australia-wide, thanks to the support of customers and shareholders, the **Community Bank**<sup>®</sup> network has now reinvested more than \$130 million of their profits into local projects.

Our **Community Bank**<sup>®</sup> company has played an important part in this achievement and since the branch opened in 2008 we have returned \$460,000 to some 88 community groups and organisations and to our shareholders – reinvesting the profits of our banking business to strengthen our local economy and our communities, whilst providing essential banking services through our own locally-owned banking operation.

Community distribution is a multi-faceted consideration. Since our company has been in profit and in a position to distribute funds beyond those available through the Marketing Development Fund, which is paid to all **Community Bank**<sup>®</sup> companies, all decisions about the distribution of funds have been made with consideration of three key areas:

- Ensuring adequate capital reserves are in place to operate the company and cater for ongoing business expansion and opportunities;
- Recognising the commitment of shareholders and paying them an appropriate return; and
- Investing in and strengthening the community by funding beneficial community projects.

## Chairman's report (continued)

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During 2014/15 we paid our third dividend of 5 cents per share, a total distribution of \$42,000 and a 2 cents per share increase on the previous year. The Board will continue to prudently determine dividend payments according to current Corporations Law, accounting standards, the Distribution Limit as outlined by the Franchise Agreement and economic conditions at the time, along with the three key areas outlined above.

Since the last Annual General Meeting (AGM), there have been further changes to our Board, with Jeff McDonell resigning as he has moved out of the area and Shane Mathieson resigning because of increased demands on his time, although we are hoping that he will return to the Board in the not-too-distant future. I would like to take this opportunity to thank both Jeff and Shane for their significant contributions to the work of the Board and the success of our company.

The excellent reputation our company enjoys allows the Board to continue to attract highly skilled and experienced Directors, with Taimi Clinch and Chris Gurney appointed by the Board in November 2014 and in March 2015 respectively.

Your Board continues their commitment to supporting our staff to grow the business by developing and implementing strategic goals which will ensure that we continue to build on achievements to date, whilst providing the best possible governance. I thank all Directors for their readiness to be such an effective part of our **Community Bank®** branch.

I would encourage all shareholders to continue to assist us with the vitally important task of building the business, both by banking with us and by acting as advocates within the community. This will allow us to even more effectively assist the ongoing development of a strong local economy, offer support for local business and foster strong partnerships with local community groups and organisations to help realise the many dreams of our community.

Remember, our **Community Bank®** branch is about the difference a bank can make in the community you have chosen to be part of. The one key difference that makes us **Bigger** is that we invest our profits back into the community because we think that banking is about more than just money. We're about the good that money can bring, so if you're not banking with us already, why not join us and be part of something **Bigger**?



**Heather Goddard**  
**Chair**

# Manager's report

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For year ending 30 June 2015

We are very pleased and proud to report that the financial year ending 30 June 2015 for the Balnarring & District **Community Bank**<sup>®</sup> Branch has been our most successful to date!

Highlights include:

## Financial

A strong performance with our total business growing by close to \$13 million (11%) for the year from \$111 million to \$124 million – we achieved 124% of our budgeted business growth target.

Our customer base continues to grow, with the result that:

1. Our lending book grew by \$5.4 million (12%) to a total of \$49.8 million
2. Deposits grew by \$4.7 million for the year to \$68 million
3. Financial planning business is represented by \$6 million (growth of \$2.5 million).

The business generated a strong positive cash flow, which is reflected in the company's liquid cash reserves and has recorded a record profit of \$198,415 before charitable donations and sponsorships (community contributions), advertising and promotion and income tax expense, with the underlying cash flow even stronger after depreciation. Income increased by some \$94,000 on the previous year.

We again look forward to the challenges ahead in the 2016 financial year and will look to continue our business growth and profitability with a focus on diversifying our business with increases in lending, insurance, financial planning and deposits to continue our momentum and ensure an ongoing return to shareholders and the community.

The results outlined above are a pleasing outcome for the business and thanks go to our team of staff and Directors and the local community for the continued support of our **Community Bank**<sup>®</sup> branch!

## Board, shareholders and Bendigo Bank support

At Board level, there has been continued stability, along with expertise. We have a terrific Board in place, led by the tireless and passionate Heather Goddard. I would like to pass on my thanks to the Board for their commitment, skill and efforts on behalf of the **Community Bank**<sup>®</sup> branch. We have a Board that is the envy of many **Community Bank**<sup>®</sup> branches, which is very pleasing and to our shareholders and community, I can say we continue to be in good hands.

I also need to make special mention of the very strong support and assistance we receive from our partners, the Bendigo Bank Regional Support Team led by Regional Manager Simon Sponza. The support received from Simon and his team has certainly contributed to a successful year. To you we say "thankyou".

Thanks also go to our shareholders. We are pleased that we are continuing to build the business and are rewarding your patience with a fourth consecutive dividend. I extend an invitation to any shareholders that do not currently bank with us to come and meet myself and the team. We will give you a warm welcome and would love to open an account or two for you!

## Staff

Our team of Glenys Wandmaker (Customer Relationship Manager), Melinda Symes (Customer Relationship Officer), Sue Pritchard (Customer Service Officer), Kathryn Walles (Customer Service Officer) and Tracey Cullum (Customer Service Officer) continue to perform at a high level. We should all be very proud of their efforts, professionalism,



## Manager's report (continued)

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level of service and commitment to both the business and the community and it is a pleasure to work with such a great team.

It was also pleasing that due to our growth we were able to employ Tracey on a part-time basis later in this financial year to further assist in providing greater customer service to the community. It is another example of investing in and supporting our community.

We are also very fortunate to have access to some excellent banking specialists including Mick Radecki (Business Relationship Manager) and Catriona Smith (Financial Planner). We work very closely with Mick and Catriona, both of whom provide exceptional service and advice to many customers in our district. We thank them all for their valued input throughout the year, not only looking after our customers but also helping to grow the business.

### **Community**

Heather has referred to our community investments in the form of sponsorships, grants and dividends in the Chair's report and I must say we are all extremely proud that our business efforts are generating these outcomes and making a difference in our community. The **Community Bank**® concept is so unique and is so people and customer focussed. However, it is also about providing quality banking services and products.

Our **Community Bank**® branch is still growing. We have many more opportunities for continued growth and the more successful we can become, the more we can secure even greater outcomes in the future!

### **Summary**

We are pleased with this year's performance and growth, however, we are also aware that the "job is not done", with further challenges for us and a lot of hard work ahead to ensure we are the number one banking choice for anyone living between Flinders and Somers (and beyond!).

I look forward to your continuing support.

Many thanks,



**Jason Symonds**  
**Branch Manager**

# Corporate governance statement

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The Board of Balnarring & District Community Services Limited is currently comprised of nine strongly-performing Directors of the utmost integrity. The complementary skills, experience and qualifications of our Board members is outlined in the Directors' report, along with details of their shareholdings and we will continue to ensure that the Board is as representative of our communities as possible.

The Board is committed to maintaining high standards in both elements of good corporate governance – compliance and performance, ensuring that company goals are reviewed, set and implemented and performance monitored, whilst continuing to adhere to the accepted ethos of the company. A Strategic Plan for the 2015/16 financial year will build on the achievements of the business to date.

During the first half of the 2015/16 financial year, a Board review of all company policies and procedures, the strategic link between the company's vision and day-to-day operations, will be completed to ensure that we continue to discharge our duties with due skill, care and consistency.

The following Board committees are in place to allow for the most effective possible operation of the Board:

- Audit, Governance & Risk Management
- Finance and Budget
- Business Development
- Human Resources
- Marketing, Sponsorship & Shareholder Relations.

## **Identifying and managing business risks**

The Board monitors the operational and financial performance of the company against budget and other key performance indicators, including those in the company's Strategic Plan. The Board continually assesses the accuracy and appropriateness of the company's internal controls and financial records to ensure that they are being maintained in accordance with relevant accounting standards and the relevant policy.

Strategies to mitigate risk are in place and a rigorous process ensures that risk management systems, processes and procedures are formally documented, current and well understood by staff and Directors. Identified risks have been compiled in a Company Risk Register, with mitigating controls for each documented. This process is overseen by a Co-ordinator, who is a member of the Audit, Governance & Risk Management Committee and this Committee will be responsible for regularly reviewing the Register and reporting to the Board and the Branch Manager quarterly on current risks and recommended controls and procedures to prevent or deter any such risks.

## **Ethical and responsible decision-making**

The Board acknowledges the need for the continuation of a professional standard of corporate governance practice and ethical conduct by all Directors and employees of the company. The Board and the company's employees uphold the highest levels of integrity and professional behaviour in their relationships with all of the company's stakeholders. The Board has adopted policies and procedures dealing with matters such as Conflict of Interest, Share Trading and the Role of the Board, to ensure this is the case.

The Board has in place a continuing education program and provides professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their roles effectively.

## **Shareholders**

The Board of Directors respects the rights of shareholders of the company and has certain continuous disclosure obligation under the Corporations Act 2001. The company aims to ensure that shareholders and other stakeholders are kept informed of all material developments affecting the state of affairs of the company in a timely and accurate manner through the company's website.

# Corporate governance statement (continued)

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Regular communication with shareholders is achieved through a range of forums and publications:

- The company website
- The Annual Report, which is available to all shareholders
- The Annual General Meeting
- Regular shareholder/customer newsletters
- Local media
- Correspondence relating to specific matters of interest, using electronic communications to those shareholders who have provided us with their email address
- Events such as branch birthday celebrations, which offer opportunities for face-to-face communication.



# Community investments

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## Balnarring & District **Community Bank®** Branch

Community groups and organisations supported July 2008 to June 2015

1. Australian Red Cross – Balnarring Unit	30. Flinders Cricket Club	59. Point Leo Boat Club
2. Balnarring Auskick	31. Flinders Golf Bowls Club	60. Point Leo Foreshore Reserve
3. Balnarring Bowls & Social Club	32. Flinders Golf Club	61. Point Leo Life Saving Club
4. Balnarring Business Group	33. Flinders Lions Club	62. Presentation Family Centre
5. Balnarring Community Flower Show	34. Flinders Singers	63. Probus Club of Balnarring Inc
6. Balnarring Cricket Club	35. Flinders Yacht Club	64. Red Hill Agricultural & Horticultural Society
7. Balnarring District Netball Club	36. Frankston & Mornington Peninsula Excellence in Business Awards	65. Red Hill Riders Mountain Bike Club
8. Balnarring CFA	37. Frankston Peninsula Carers Inc	66. Riding for the Disabled Association Victoria, Peninsula Group
9. Balnarring Foreshore Committee	38. Friends of Bill Carroll Reserve	67. Rosebud Heart Soccer Club
10. Balnarring & District Historical Society	39. Friends of Flinders Coastline	68. Scarecrow Festival
11. Balnarring Occasional Care Centre	40. Friends of Somers Foreshore Inc	69. Schools of the Southern Peninsula Science Fair
12. Balnarring Pony Club	41. International Cool Climate Wine Show	70. Shannons Saturday Night at the Drive-In
13. Balnarring Pre-School	42. Lions Club of Balnarring	71. Shoreham CFA
14. Balnarring Primary School	43. Lord Somers Camp	72. Somers CFA
15. Balnarring School Sustainability Program	44. Merricks Yacht Club	73. Somers Girl Guides
16. Balnarring Senior Citizens Club	45. Navy Steam Club	74. Somers Nautilus
17. Balnarring Tennis Club	46. Mornington Peninsula Cricket Association	75. Somers Neighbourhood Watch
18. Balnarring Thunder Junior Football Club	47. Mornington Peninsula Cricket Umpires Association	76. Somers Pre-School
19. Balnarring Village Common	48. Mornington Peninsula Junior Football League	77. Somers Primary School
20. Bittern Combined Probus Club	49. Mornington Peninsula Marine Alliance	78. Somers Residents' Association
21. Bittern CFA	50. Mornington Peninsula Nepean Football League	79. Somers School Camp
22. Brigid's Paddock Revegetation Project	51. Mornington Peninsula Netball Association	80. Somers Tennis Club
23. Carriage Driving for Disabled, Mornington Centre	52. Mornington Peninsula Schools Environment Week	81. Somers Yacht Club
24. CWA Balnarring Branch	53. Open Family Australia	82. Spot a
25. Defibrillator Provision Program	54. OXFAM – Trail Walkers	83. The Bridge Magazine
26. Disabled Surfers Association Mornington Peninsula	55. Peninsula All Abilities Vaulters	84. Westernport Coast Guard
27. Emu Plains Committee of Management	56. Peninsula Hospice (including Westernport Friends of Hospice)	85. Western Port Yacht Club
28. Flinders Art Show	57. Peninsula Studio Trail	86. Westernport Rotary Club (Balnarring Community Market & Charity Golf Day)
29. Flinders Community Association	58. Peninsula Summer Music Festival	87. Westernport Craft Festival

# Directors' report

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For the financial year ended 30 June 2015

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

## Directors

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

### **Heather Goddard**

Chair

Occupation: Retired

Qualifications, experience and expertise: Tertiary qualifications: Diploma of Teaching Primary & Graduate Diploma in Educational Studies (Learning Difficulties in Language and Mathematics). Retired primary teacher. Balnarring Primary School Early Years Literacy Co-ordinator 1993-2009, Sustainability Co-ordinator 2009-2011. State Parliamentary Electorate Officer 1982-1986. Employment skills include: excellent oral and written communication skills; well-developed interpersonal skills; well organised; high level research skills; initiative; demonstrated leadership skills and a commitment to inclusion, social justice, equal opportunity and sustainability. Founding member of the Balnarring Community Wetlands Committee; ongoing involvement at Balnarring Primary School as a volunteer since retirement; member of the Presentation Family Centre Wilderness Group; member of the Communities That Care Two Bays Local Area Group.

Special responsibilities: Chairman, Audit, Governance & Risk Management Committee, Marketing, Sponsorship & Shareholder Relations Committee

Interest in shares: 1,500

### **Chantelle Waterson**

Vice Chair

Occupation: Accountant

Qualifications, experience and expertise: Bachelor in Commerce, Post Graduate Diploma in Accounting and CPA qualification. Finance Manager at Montalto Vineyard & Olive Grove. Experience as a business analyst at Powercor and Commercial Analyst for Silk Telecom.

Special responsibilities: Finance & Budget Committee, Business Development Committee

Interest in shares: 500

### **Anne Bartholomew**

Treasurer

Occupation: Retired

Qualifications, experience and expertise: 25 years in Financial Services Industry. Treasurer Somers Residents Association. Volunteer Somers Yacht club. Masters degree in Business administration. Certified Financial Planner.

Special responsibilities: Treasurer, Finance & Budget Committee

Interest in shares: 2,500

### **Mark Laughton**

Director

Occupation: Lawyer

Qualifications, experience and expertise: 23 Years service with Victoria Police. Cert IV Workplace Training and Assessment (2001). Bachelor of Law, Graduate Diploma in Legal Practice. Committee member of Balnarring Football Club. Employed by Burdan-Smith & Associates Balnarring.

Special responsibilities: Audit, Governance & Risk Management Committee, HR Committee

Interest in shares: Nil

# Directors' report (continued)

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## Directors (continued)

### Andrew Thomas

Director

Occupation: Competency & Recognition Assessor Technical Training HMAS Cerberus

Qualifications, experience and expertise: Competency & Recognition Assessor Technical Training. Quality Assurance Officer Technical Training. Resource & Planning Coordinator Technical Training. Technical Instructor. Chief Petty Officer Royal Australian Navy. Diploma Engineering Communications Systems. Diploma Frontline Management. Certificate IV Training & Assessment TAE40110. Former Treasurer Dromana Secondary College & School Council member. Member Balnarring Village Common Community Group – Treasurer

Special responsibilities: Marketing, Sponsorship & Shareholder Relations Committee

Interest in shares: 1,500

### Gerald Roderick Slater

Director

Occupation: Management Consultant/Research

Qualifications, experience and expertise: Bachelor of Commerce, The University of Melbourne. Group General Manager Marketing, ANZ Bank. Board Member, Melbourne Symphony Orchestra. Regional Director North Asia, Cadbury Confectionery. Marketing Director Asia/Pacific, Cadbury Confectionery. Operations Director, Lipton Japan. Marketing Director, Unilever (Netherlands). Adjunct Professor of Marketing, RMIT University.

Special responsibilities: Marketing, Sponsorship & Shareholder Relations Committee, Business Development Committee

Interest in shares: Nil

### Carl Anthony Luke

Director

Occupation: MICA Paramedic

Qualifications, experience and expertise: Full time paramedic since 1995, including Air Ambulance, Clinical Instructor and MICA Paramedic. Prior worked as a registered nurse. Qualifications include Bachelor of Business, Graduate Diploma in Financial Planning. Deputy Board Member on ESSSuper.

Special responsibilities: Marketing, Sponsorship & Shareholder Relations Committee, Finance & Budget Committee

Interest in shares: Nil

### Taimi Clinch

Director (Appointed 26 November 2014)

Occupation: General Manager, Corporate Services

Qualifications, experience and expertise: Bachelor of Arts 2001. 17 years of HR experience across a variety of sectors; strategic planning; marketing; social media skills; IT skills. 2011-current: Marriott Support Services. disability support service. 2006-2011: InciteHR. own HR Consultancy.

Special responsibilities: HR Committee: Convenor; Audit, Governance & Risk Management Committee

Interest in shares: Nil

# Directors' report (continued)

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## Directors (continued)

### Christopher Gurney

Director (Appointed 25 March 2015)

Occupation: Director

Qualifications, experience and expertise: Bachelor of Economics Monash University. Graduate of Australian Institute of Company Directors Past positions in Marketing and General Management with Unilever, Beecham, SCA and Bakers Delight. Key roles were Acting Managing Director Sancellia SCA UK, General Manager Deeko, Logistics and Purchasing Manager CHH/SCA, President COBS Bread North America (Bakers Delight), GM Marketing and Operations Bakers Delight Australia and NZ. Current positions part time, Director Bakers Delight Holdings Ltd, Senior Associate XPotential Australia and NZ Consulting, Conference Convener Bakers Delight International Conference. Vice Commodore Somers Yacht Club Broad Management, Marketing, Franchising, Operational, Financial and Strategic skills.

Special responsibilities: Business Development Committee

Interest in shares: 8,500

### Shane Mathieson

Director (Resigned 17 November 2014)

Occupation: Small Business Owner

Qualifications, experience and expertise: Local Business owner in Balnarring (Cellarbrations Liquor). Involvement with junior basketball for over 30 years. Previous managerial roles with Phillip Morris Ltd.

Special responsibilities: Business Development Committee: Convenor

Interest in shares: 10,000

### Jeff McDonell

Director (Resigned 22 October 2014)

Occupation: Retired

Qualifications, experience and expertise: IT director/manager at universities throughout Australia and Hong Kong. PhD, MBA, BSC (hons). Deputy Commander of Westernport Coast Guard. Member Mornington Peninsula Marine Alliance. Member Westernport Yacht Club.

Special responsibilities: HR Committee, Property Coordinator, Past Deputy Chair

Interest in shares: 8,000

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 Melinda Symes. Melinda was appointed to the position of secretary on 12 April 2013.

Qualifications, experience and expertise: As an experienced Senior Accounts Manager and Customer Relationship Manager, Melinda is well qualified to support the Board and oversee the governance and administrative functions of the company.

## Principal Activities

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

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

# Directors' report (continued)

## Operating results

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

Year ended 30 June 2015 \$	Year ended 30 June 2014 \$
46,691	44,440

## Remuneration report

Directors' remuneration

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

There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity.

There are therefore no specified Executives whose remuneration requires disclosure.

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Heather Goddard	1,500	-	1,500
Anne Bartholomew	2,500	-	2,500
Chantelle Waterson	500	-	500
Mark Laughton	-	-	-
Andrew Thomas	1,500	-	1,500
Gerald Roderick Slater	-	-	-
Carl Anthony Luke	-	-	-
Taimi Clinch (Appointed 26 November 2014)	-	-	-
Chris Gurney (Appointed 25 March 2015)	-	8,500	8,500
Jeff McDonell (Resigned 22 October 2014)	8,000	-	8,000
Shane Mathieson (Resigned 17 November 2014)	10,000	-	10,000

## Dividends

	Year ended 30 June 2015	
	Cents	\$
- Dividends paid in the year	5	42,000

## 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.

# Directors' report (continued)

## Events since the end of the financial year

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

## Likely developments

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

## Environmental regulation

The company is not subject to any significant environmental regulation.

## Indemnification and insurance of directors and officers

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

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

## Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended									
			Audit		Marketing		Human Resources		Finance & Budget		Business Development	
	A	B	A	B	A	B	A	B	A	B	A	B
Heather Goddard	11	11	4	4	13	11	2	2	-	-	-	-
Anne Bartholomew	11	10	1	1	4	1	-	-	2	-	-	-
Chantelle Waterson	11	8	-	-	-	-	-	-	2	-	1	-
Mark Laughton	11	9	4	4	-	-	2	1	-	-	-	-
Andrew Thomas	11	9	-	-	13	13	-	-	-	-	-	-
Gerald Roderick Slater	11	9	-	-	13	2	-	-	-	-	1	1
Carl Anthony Luke	11	8	3	2	4	1	-	-	2	2	-	-
Taimi Clinch (Appointed 26 November 2014)	7	4	3	2	-	-	1	1	-	-	-	-
Chris Gurney (Appointed 25 March 2015)	4	3	-	-	-	-	-	-	-	-	-	-
Jeff McDonell (Resigned 22 October 2014)	4	4	-	-	-	-	1	1	-	-	-	-
Shane Mathieson (Resigned 17 November 2014)	4	4	-	-	-	-	-	-	-	-	1	1

A - Eligible to attend

B - Number attended



# Directors' report (continued)

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## **Proceedings on behalf of the company**

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

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

## **Non audit services**

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

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

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

- all non-audit services have been reviewed by the audit and governance committee 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 15.

Signed in accordance with a resolution of the board of directors at Balnarring, Victoria on 26 August 2015.



**Heather Goddard,**  
**Chair**

# Auditor's independence declaration



## Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Balnarring & District Community Services Limited

As lead auditor for the audit of Balnarring & District Community Services Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

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

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

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550

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

**David Hutchings**  
Lead Auditor

Dated: 26 August 2015

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

P: (03) 5443 0344

F: (03) 5443 5304

61-65 Bull St./PO Box 454 Bendigo Vic. 3552

afs@afsbendigo.com.au

www.afsbendigo.com.au

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# Financial statements

## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
Revenue from ordinary activities	4	763,431	668,921
Employee benefits expense		(339,079)	(314,051)
Charitable donations, sponsorship, advertising and promotion		(126,704)	(71,680)
Occupancy and associated costs		(68,155)	(60,492)
Systems costs		(21,889)	(21,469)
Depreciation and amortisation expense	5	(27,735)	(31,353)
Finance costs	5	(42)	-
General administration expenses		(108,116)	(106,357)
<b>Profit before income tax expense</b>		<b>71,711</b>	<b>63,519</b>
Income tax expense	6	(25,020)	(19,079)
<b>Profit after income tax expense</b>		<b>46,691</b>	<b>44,440</b>
<b>Total comprehensive income for the year</b>		<b>46,691</b>	<b>44,440</b>
<b>Earnings per share for profit attributable to the ordinary shareholders of the company:</b>			
		¢	¢
Basic earnings per share	22	5.56	5.29

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Balance Sheet as at 30 June 2015

	Notes	2015 \$	2014 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	312,087	268,418
Trade and other receivables	8	65,026	60,877
<b>Total Current Assets</b>		<b>377,113</b>	<b>329,295</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	102,949	116,841
Intangible assets	10	40,379	54,223
Deferred tax asset	11	59,997	85,017
<b>Total Non-Current Assets</b>		<b>203,325</b>	<b>256,081</b>
<b>Total Assets</b>		<b>580,438</b>	<b>585,376</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	14,762	24,031
Borrowings	13	4,648	4,354
Provisions	14	10,096	13,811
<b>Total Current Liabilities</b>		<b>29,506</b>	<b>42,196</b>
<b>Non-Current Liabilities</b>			
Borrowings	13	17,981	22,629
Provisions	14	21,222	13,513
<b>Total Non-Current Liabilities</b>		<b>39,203</b>	<b>36,142</b>
<b>Total Liabilities</b>		<b>68,709</b>	<b>78,338</b>
<b>Net Assets</b>		<b>511,729</b>	<b>507,038</b>
<b>Equity</b>			
Issued capital	15	815,096	815,096
Accumulated losses	16	(303,367)	(308,058)
<b>Total Equity</b>		<b>511,729</b>	<b>507,038</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Changes in Equity for the year ended 30 June 2015

	Issued capital \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2013</b>	<b>815,096</b>	<b>(327,298)</b>	<b>487,798</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>44,440</b>	<b>44,440</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(25,200)	(25,200)
<b>Balance at 30 June 2014</b>	<b>815,096</b>	<b>(308,058)</b>	<b>507,038</b>
<b>Balance at 1 July 2014</b>	<b>815,096</b>	<b>(308,058)</b>	<b>507,038</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>46,691</b>	<b>46,691</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(42,000)	(42,000)
<b>Balance at 30 June 2015</b>	<b>815,096</b>	<b>(303,367)</b>	<b>511,729</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

### Statement of Cash Flows for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		829,597	718,774
Payments to suppliers and employees		(743,674)	(620,687)
Interest received		4,142	4,695
Interest paid		(42)	-
<b>Net cash provided by operating activities</b>	<b>17</b>	<b>90,023</b>	<b>102,782</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(4,354)	(4,994)
Dividends paid		(42,000)	(25,200)
<b>Net cash provided by/(used in) financing activities</b>		<b>(46,354)</b>	<b>(30,194)</b>
<b>Net increase in cash held</b>		<b>43,669</b>	<b>72,588</b>
Cash and cash equivalents at the beginning of the financial year		268,418	195,830
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<b>312,087</b>	<b>268,418</b>

The accompanying notes form part of these financial statements.



# Notes to the financial statements

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For year ended 30 June 2015

## Note 1. Summary of significant accounting policies

### **a) Basis of preparation**

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

#### Compliance with IFRS

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

#### Critical accounting estimates

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

#### Historical cost convention

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

#### Comparative figures

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

#### Application of new and amended accounting standards

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

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

# Notes to the financial statements (continued)

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

### a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

- Interpretation 21 Levies.
- AASB 1031 Materiality, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality), AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality).

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

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

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

# Notes to the financial statements (continued)

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

### a) Basis of preparation (continued)

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

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

#### Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**<sup>®</sup> branch at Balnarring, Victoria.

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

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

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

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**<sup>®</sup> 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**<sup>®</sup> 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.

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.

# Notes to the financial statements (continued)

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

### 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**<sup>®</sup> model, known as 'Project Horizon'. This was conducted in consultation with the **Community Bank**<sup>®</sup> network. The objective of the review was to develop a shared vision of the **Community Bank**<sup>®</sup> 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**<sup>®</sup> companies from 1 July 2016. A funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products will be through margin share. Margin on core banking products will be shared on a 50/50 basis.

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

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

#### Core banking products

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

#### Margin

Margin is arrived at through the following calculation:

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

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

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

# Notes to the financial statements (continued)

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

### b) Revenue (continued)

#### Margin (continued)

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.

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

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

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

#### Monitoring and changing financial return

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

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

# Notes to the financial statements (continued)

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

### b) Revenue (continued)

#### 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**<sup>®</sup> companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin.

### c) Income tax

#### Current tax

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

#### 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.



# Notes to the financial statements (continued)

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

### **d) Employee entitlements**

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

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

### **e) Cash and cash equivalents**

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

### **f) Trade receivables and payables**

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

### **g) Property, plant and equipment**

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

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

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

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

# Notes to the financial statements (continued)

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

### **i) Payment terms**

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

### **j) Borrowings**

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

### **k) Financial instruments**

#### Recognition and initial measurement

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

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

#### Derecognition

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

#### Classification and subsequent measurement

##### **(i) Loans and receivables**

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

##### **(ii) 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.

# Notes to the financial statements (continued)

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

### **k) Financial instruments (continued)**

#### **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 or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

### **n) Contributed equity**

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

### **o) Earnings per share**

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

### **p) Goods and Services Tax**

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

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

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

# Notes to the financial statements (continued)

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## Note 2. Financial risk management

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

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

### (i) Market risk

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

### (ii) Price risk

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

### (iii) Credit risk

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

### (iv) Liquidity risk

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

### (v) Cash flow and fair value interest rate risk

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

### (vi) Capital management

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

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

The distribution limit is the greater of:

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

# Notes to the financial statements (continued)

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## Note 2. Financial risk management (continued)

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

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

## Note 3. Critical accounting estimates and judgements

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

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

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

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

### Taxation

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

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.

# Notes to the financial statements (continued)

## 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.

	2015 \$	2014 \$
<b>Note 4. Revenue from ordinary activities</b>		
Operating activities:		
- services commissions	757,519	664,227
<b>Total revenue from operating activities</b>	<b>757,519</b>	<b>664,227</b>
Non-operating activities:		
- interest received	5,912	4,694
<b>Total revenue from non-operating activities</b>	<b>5,912</b>	<b>4,694</b>
<b>Total revenues from ordinary activities</b>	<b>763,431</b>	<b>668,921</b>

## Note 5. Expenses

### Depreciation of non-current assets:

- plant and equipment	8,029	10,990
- motor vehicle	5,862	6,519



# Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 5. Expenses (continued)		
Amortisation of non-current assets:		
- franchise agreement	2,307	2,307
- franchise renewal fee	11,537	11,537
	<b>27,735</b>	<b>31,353</b>
Finance costs:		
- interest paid	<b>42</b>	-
<b>Bad debts</b>	<b>7</b>	<b>125</b>
<b>Loss on disposal of non-current asset</b>	-	<b>813</b>

## Note 6. Income tax expense

The components of tax expense comprise:

- Movement in deferred tax	(1,736)	(1,791)
- Adjustment to deferred tax to reflect change to tax rate in future periods	3,158	-
- Recoupment of prior year tax losses	23,598	20,870
	<b>25,020</b>	<b>19,079</b>

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

Operating profit	71,711	63,519
Prima facie tax on profit from ordinary activities at 30%	21,513	19,056
Add tax effect of:		
- non-deductible expenses	349	23
- timing difference expenses	1,736	1,791
	<b>23,598</b>	<b>20,870</b>
Movement in deferred tax	(1,736)	(1,791)
Adjustment to deferred tax to reflect change of tax rate in future periods	3,158	-
	<b>25,020</b>	<b>19,079</b>

## Note 7. Cash and cash equivalents

Cash at bank and on hand	127,317	116,815
Term deposits	184,770	151,603
	<b>312,087</b>	<b>268,418</b>

## Notes to the financial statements (continued)

	2015 \$	2014 \$
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### Note 7. Cash and cash equivalents (continued)

#### Note 7.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the Statement of Cash Flows at the end of the financial year as follows:

Cash at bank and on hand	127,317	116,815
Term deposits	184,770	151,603
	<b>312,087</b>	<b>268,418</b>

### Note 8. Trade and other receivables

Trade receivables	59,043	56,664
Prepayments	3,748	3,748
Other receivables and accruals	2,235	465
	<b>65,026</b>	<b>60,877</b>

### Note 9. Property, plant and equipment

#### Plant and equipment

At cost	292,027	292,027
Less accumulated depreciation	(206,730)	(198,700)
	<b>85,297</b>	<b>93,327</b>

#### Motor vehicles

At cost	29,635	29,635
Less accumulated depreciation	(11,983)	(6,121)
	<b>17,652</b>	<b>23,514</b>

<b>Total written down amount</b>	<b>102,949</b>	<b>116,841</b>
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#### Movements in carrying amounts:

#### Plant and equipment

Carrying amount at beginning	93,327	104,313
Additions	-	-
Disposals	-	-
Less: depreciation expense	(8,030)	(10,986)
<b>Carrying amount at end</b>	<b>85,297</b>	<b>93,327</b>

## Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 9. Property, plant and equipment (continued)		
Motor vehicles		
Carrying amount at beginning	23,514	12,738
Additions	-	28,998
Disposals	-	(10,891)
Loss on disposal	-	(813)
Less: depreciation expense	(5,862)	(6,519)
<b>Carrying amount at end</b>	<b>17,652</b>	<b>23,514</b>
<b>Total written down amount</b>	<b>102,949</b>	<b>116,841</b>

## Note 10. Intangible assets

Franchise fee		
At cost	21,537	21,537
Less: accumulated amortisation	(14,807)	(12,500)
	<b>6,730</b>	<b>9,037</b>
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	-	-
Renewal processing fee		
At cost	57,684	57,684
Less: accumulated amortisation	(24,035)	(12,498)
	<b>33,649</b>	<b>45,186</b>
<b>Total written down amount</b>	<b>40,379</b>	<b>54,223</b>

## Note 11. Tax

### Non-Current:

Deferred tax assets		
- accruals	883	985
- employee provisions	8,926	8,197
- tax losses carried forward	50,825	77,099
	<b>60,634</b>	<b>86,281</b>

## Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 11. Tax (continued)		
Deferred tax liability		
- accruals	637	140
- deductible prepayments	-	1,124
	<b>637</b>	<b>1,264</b>
<b>Net deferred tax asset</b>	<b>59,997</b>	<b>85,017</b>
<b>Movement in deferred tax charged to Statement of Comprehensive Income</b>	<b>25,020</b>	<b>19,079</b>

## Note 12. Trade and other payables

### Current:

Trade creditors	1,210	6,881
Other creditors and accruals	13,552	17,150
	<b>14,762</b>	<b>24,031</b>

## Note 13. Borrowings

### Current:

Chattel mortgage	4,648	4,354
	<b>4,648</b>	<b>4,354</b>

### Non-Current:

Chattel mortgage	17,981	22,629
	<b>17,981</b>	<b>22,629</b>
	<b>22,629</b>	<b>26,983</b>

## Note 14. Provisions

### Current:

<b>Provision for annual leave</b>	<b>10,096</b>	<b>13,811</b>
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### Non-Current:

<b>Provision for long service leave</b>	<b>21,222</b>	<b>13,513</b>
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# Notes to the financial statements (continued)

	2015 \$	2014 \$
<b>Note 15. Contributed equity</b>		
840,000 ordinary shares fully paid (2014: 840,000)	840,000	840,000
Less: equity raising expenses	(24,904)	(24,904)
	<b>815,096</b>	<b>815,096</b>

## Rights attached to shares

### (a) Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** branch have the same ability to influence the operation of the company.

### (b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

### (c) Transfer

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

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

## Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 243. As at the date of this report, the company had 275 shareholders.

# Notes to the financial statements (continued)

## Note 15. Contributed equity (continued)

### Prohibited shareholding interest (continued)

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.

	2015 \$	2014 \$
<b>Note 16. Accumulated losses</b>		
Balance at the beginning of the financial year	(308,058)	(327,298)
Net profit from ordinary activities after income tax	46,691	44,440
Dividends paid or provided for	(42,000)	(25,200)
<b>Balance at the end of the financial year</b>	<b>(303,367)</b>	<b>(308,058)</b>

## Note 17. Statement of Cash Flows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	46,691	44,440
Non cash items:		
- depreciation	13,891	17,509
- amortisation	13,844	13,844
- loss on disposal of asset	-	813

## Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 17. Statement of Cash Flows (continued)		
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(4,149)	(9,344)
- (increase)/decrease in other assets	25,020	19,079
- increase/(decrease) in payables	(9,268)	10,110
- increase/(decrease) in provisions	3,994	6,331
<b>Net cash flows provided by operating activities</b>	<b>90,023</b>	<b>102,782</b>

## Note 18. Leases

### Finance lease commitments

#### Payable - minimum lease payments:

- not later than 12 months	5,992	5,992
- between 12 months and 5 years	19,218	25,210
- greater than 5 years	-	-
<b>Minimum lease payments</b>	<b>25,210</b>	<b>31,202</b>
Less future finance charges	(2,581)	(4,219)
<b>Present value of minimum lease payments</b>	<b>22,629</b>	<b>26,983</b>

The finance lease of \$36,596, which commenced in 2013, is a 4-year lease.  
Interest is recognised at an average rate of 6.55% (2014: 6.55%).

### 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	47,712	42,885
- between 12 months and 5 years	83,496	117,932
- greater than 5 years	-	-
	<b>131,208</b>	<b>160,817</b>

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

## Notes to the financial statements (continued)

	2015 \$	2014 \$
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### Note 19. Auditor's remuneration

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

- audit and review services	3,950	3,850
- share registry services	1,624	1,789
- non audit services	1,650	3,470
	<b>7,224</b>	<b>9,109</b>

### Note 20. Director and related party disclosures

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

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

Detailed shareholding disclosures are provided in the remuneration report, included as part of the directors' report.

	2015 \$	2014 \$
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### Note 21. Dividends paid or provided

#### Dividends paid during the year

Current year dividend

<b>Unfranked dividend - 5 cents (2014: 3 cents) per share</b>	<b>42,000</b>	<b>25,200</b>
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### Note 22. Earnings per share

		2015 \$	2014 \$
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	46,691	44,440
		Number	Number
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	840,000	840,000

### Note 23. Events occurring after the reporting date

In August 2015 the board declared a fully franked dividend of 5.5c per share to be paid in October 2015.

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



# Notes to the financial statements (continued)

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

## Note 26. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
Shop 28, Balnarring Village 3050 Frankston Flinders Road Balnarring VIC 3926	Shop 28, Balnarring Village 3050 Frankston Flinders Road Balnarring VIC 3926

## Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 %	2014 %
Financial assets												
Cash and cash equivalents	127,317	116,815	184,770	151,603	-	-	-	-	-	-	1.87	1.96
Receivables	-	-	-	-	-	-	-	-	59,043	56,664	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	4,648	4,354	17,981	22,629	-	-	-	-	6.55	6.55
Payables	-	-	-	-	-	-	-	-	1,210	6,881	N/A	N/A

# Notes to the financial statements (continued)

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## Note 27. Financial instruments (continued)

### Net Fair Values

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

### Credit Risk

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

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

### Interest Rate Risk

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

### Sensitivity Analysis

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

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

	<b>2015 \$</b>	<b>2014 \$</b>
Change in profit/(loss)		
Increase in interest rate by 1%	2,895	2,414
Decrease in interest rate by 1%	2,895	2,414
Change in equity		
Increase in interest rate by 1%	2,895	2,414
Decrease in interest rate by 1%	2,895	2,414

# Directors' declaration

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In accordance with a resolution of the directors of Balnarring & District Community Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



**Heather Goddard,**  
**Chair**

Signed on the 26th of August 2015.

# Independent audit report



## Independent auditor's report to the members of Balnarring & District Community Services Limited

### Report on the financial report

We have audited the accompanying financial report of Balnarring & District Community Services Limited, which comprises the balance sheet as at 30 June 2015, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

### Directors' responsibility for the financial report

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

### Auditor's responsibility

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

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

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

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

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

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

P: (03) 5443 0344

F: (03) 5443 5304

61-65 Bull St./PO Box 454 Bendigo Vic. 3552

afs@afsbendigo.com.au

www.afsbendigo.com.au

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# Independent audit report (continued)

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## Independence

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

## Auditor's opinion on the financial report

In our opinion:

1. The financial report of Balnarring & District Community Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2015 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

## Report on the remuneration report

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

## Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Balnarring & District Community Services Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550



**David Hutchings**  
Lead Auditor

Dated: 26 August 2015

Balnarring & District **Community Bank**<sup>®</sup> Branch  
Shop 28, Shopping Village,  
3050 Frankston-Flinders Road, Balnarring VIC 3926  
Phone: (03) 5983 5543

Franchisee:  
Balnarring & District Community Services Limited  
PO Box 60, Balnarring VIC 3926  
Phone: (03) 5983 5543  
ABN: 00 127 842 059

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