



Annual Report 2016

Barwon Heads Community
Enterprise Limited

ABN 68 149 465 396

Barwon Heads **Community Bank**® Branch

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Chairman's report

For year ending 30 June 2016

It is with pleasure I submit my Chairman's report for the financial year ending 30 June 2016.

The past 12 months has been further challenging for the banking industry as the Reserve Bank endeavours to stimulate the economy through reductions in the cash rate. This however also provides opportunities for our business, as people continue to look around for better alternatives and we are extremely competitive across a range of products.

With this in mind I am pleased to report that in the past 12 months, we have increased our business holdings by \$12 million. On the revenue side we have seen a slight increase in our income and with a focus on expenditure, we have been able to deliver a net profit before tax of \$109,393.

A tactical plan has been implemented, providing the Board with strategic areas to focus on for this year. These include:

- a) Identifying key products for the future growth of the business
- b) Developing capability training on key focus products for branch staff and Board members, to drive the best available return
- c) Ensuring our grants process delivers sponsorship arrangements that drive both business growth and community development and engagement
- d) Providing a framework of good governance and ethical behaviour.

The **Community Bank**[®] network had returned an amazing \$130 million to the communities within which they operate. The Barwon Heads **Community Bank**[®] Branch is built on the philosophy of giving back to the community that supports it. We do this by providing sponsorship to community and youth groups, and projects and activities which promote health and well-being, sustainability and the environment.

This year sponsorship and community grants were provided to:

- (i) Barwon Heads 13th Beach Boardriders Club
- (ii) Barwon Heads Football and Netball Club
- (iii) Barwon Grove Golf Club
- (iv) Barwon Heads Cycling Club
- (v) Barwon Heads Festival of the Sea
- (vi) Barwon Heads Football and Netball Club
- (vii) Barwon Heads Primary School
- (viii) Barwon Heads Soccer Club
- (ix) Barwon Heads Tennis Club Inc
- (x) Ocean Grove Little Athletics
- (xi) Relay for Life.

These sponsorship and community grants totalled \$34,723 for the year ending 30 June 2016.

I would like to take some time to acknowledge the work of a few Directors who are retiring. We thank them for their time and efforts.

- a) Tom White has been with the Board since the inception of the original Barwon Heads Community Enterprise Limited (BHCEL) working group. He has spent countless hours as a Board member and Chairman and we would like to thank him for his dedication to the **Community Bank**[®] branch.

Chairman's report (continued)

- b) Marilyn Harris spent multiple years as Company Secretary and the Board wouldn't have run as efficiently without her guidance and assistance.
- c) Annette Cotter has spent the past two years as Chair of the Business Development Committee helping to focus the board on driving business growth.

We have also seen the appointment of four new Directors with skills and expertise to assist with the ongoing development and future of the **Community Bank**[®] company, namely:

- a) David Halliday;
- b) Ross Walter;
- c) Peter MacMillan; and
- d) Bruce Symons.

David comes with a financial background and has been running his own business for some time. Ross has many years senior management experience in business strategy, development and operations, and supply chain management. Peter comes to us with both Chartered financial and financial planning experience. Bruce has had CEO and senior marketing and sales roles both in Australia and Asia.

To Chris Lacy, our Branch Manager, I extend our gratitude for his tireless efforts in keeping our business in the forefront of our community's mind, as well as his guidance to his team over the past 12 months.

To Sue Tansey, the Board extends its appreciation for her support and leadership of Chris and his team. She has provided us with crystal clear direction and we look forward to bringing it to fruition.

In closing I would like to acknowledge and thank you, our shareholders. For without your support we wouldn't be in existence today.

Our future looks positive, and with yours, and our community's continued support, we intend to make this business bigger and stronger.

Thanks



Jeff Cole
Chairman

Manager's report

For year ending 30 June 2016

It is my great pleasure to report on the performance of our local Barwon Heads **Community Bank**[®] Branch.

The banking sector, in entirety, during the 2015/16 financial year, has seen strong competition to win business, however I think you will agree we have achieved some impressive results despite the market challenges.

Barwon Heads **Community Bank**[®] Branch achieved an overall growth in footings of \$12 million, the majority being made up of \$6.5 million in deposits and \$5.5 million in lending, resulting in total footings of \$108.6 million. Positive growth was also achieved in the total number of customers; currently we are servicing 1,525 customers, an increase of 15.9 per cent from the previous financial year.

In 2015/16 we also witnessed positive growth in wealth and insurance related products. Our overall income was up by 1.5 per cent continuing a positive year-on-year trend since operations commenced in 2012.

Community partnerships were again one of our great success stories with a further \$34,723 being gifted back to local community organisations. A total of close to \$135,000 has been gifted to the community since the branch opened. I would like to thank each and every community group for being so welcoming to the Board, my team and myself. We enjoy meeting you and being part of your major events and everyday activities, and very much look forward to being of assistance in the years to come.

The **Community Bank**[®] model and its success is founded upon giving back to the community that supports it, in the form of community partnerships via grant funds, volunteering of time to community groups, and where possible, dividend payments to local shareholders. It is a true example of the importance of how we can achieve great things together, and one that I am very proud to be a part of. It is very pleasing to see the message 'the more banking you have with us the more that we can give back' is gaining momentum in Barwon Heads.

I would very much like to take this opportunity to thank my team which has worked tirelessly, the Board for its support and guidance, and my internal Bendigo and Adelaide Bank support network for its mentoring. Without them, none of the achievements above would have been possible.

I look forward to the possibilities and successes the 2016/17 financial year presents.



Chris Lacy
Branch Manager

Directors' report

For the financial year ended 30 June 2016

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

Directors

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

Jeffrey John Cole

Chairperson/Treasurer

Occupation: Commercial Manager

Qualifications, experience and expertise: Jeff has worked for Lion for the last 9 years after moving from Adelaide to Warrnambool to take up his current role. While a resident in Warrnambool he was on the Southwest Healthcare Board for over 2 years before relocating to Barwon Heads as his employment moved to Melbourne.

Special responsibilities: Treasurer, Member of the Executive Committee, Chair of the Audit and Risk Committee

Interest in shares: 1

Thomas Edward White

Director

Occupation: Lawyer

Qualifications, experience and expertise: Bachelor of Commerce and Bachelor of Law (Hons). Practiced as a Commercial Lawyer for over 15 years. Managing Principal of Geelong based law firm Coulter Roache Lawyers and operates the Barwon Heads branch office. Life Member of Gateways Support Services. Board Member of Apco Foundation. Member of Australian Institute of Company Directors. Active member of the local community.

Special responsibilities: Chairperson Audit and Risk Committee, Executive Committee

Interest in shares: 5,101

Erena Crowley (Appointed 27 October 2015)

Secretary

Occupation: Business Owner

Qualifications, experience and expertise: Co Owner Barwon Heads Windestore and freelance Project Producer. Erena has spend most of her career in the Not for Profit sector working on community engagement projects and currently works as a Project Producer managing events with a focus on local food production. Erena has been a member of the board since July 2015 and became Company Secretary in 2016.

Special responsibilities: Chair Community Development and Grants Committee

Interest in shares: Nil

Graeme Leslie Hanel

Director

Occupation: Victorian Public Service

Qualifications, experience and expertise: Current: Assoc Dip of Wildlife & Park Management(Adelaide University), Diploma of Frontline Management, (RMIT), Strategic Leadership (Mt Eliza Business School). Graeme is currently a Senior Project Manager with the Department of Economic Development Jobs Transport and Resources, Victorian Government . During his career he has worked with Natural Resource Management agencies in the Northern Territory, South Australia and Victoria, including senior management positions with the Victorian Government. Graeme joined the Board in 2013.

Special responsibilities: Business Development Committee

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Annette Amanda Cotter

Director

Occupation: Business Proprietor

Qualifications, experience and expertise: Founder and managing partner of an award winning small business in the events industry. Over 20 years experience in retail, property management and small business fields. Past president of Barwon Heads Kindergarten Association Inc.. Past representation in Committees including Barwon Heads Appeals Committee, Tourism Geelong, Central Geelong Marketing and Nine Lives (Geelong Football club). Bachelor of Commerce (Deakin) Graduate Diploma Shopping Centre Management and Marketing.

Special responsibilities: Business Development & Marketing Sub Committee, Community Development and Grants Committee

Interest in shares: 1001

Janice Margaret Dart

Deputy Chairperson

Occupation: Retired

Qualifications, experience and expertise: Diploma of Education (Primary). Janice has enjoyed a varied career, first in education, followed by almost a decade in business in rural New South Wales, and 16 years in the water industry - including seven years in senior management with responsibilities including communication, media and brand management, and community engagement. Adjudicator for the Australasian Annual Report Awards from 2007 to 2011. Active member of the community.

Special responsibilities: Deputy Chair, Community Development and Grants Committee

Interest in shares: Nil

Margaret Christina Austin

Director

Occupation: Retired

Qualifications, experience and expertise: Extensive experience in the banking sector. Past owner of Getaway Holiday rentals Barwon Heads and a former office manager at Bellarine Sports and Leisure Centre Ocean Grove. Former owner and director of KFC in Geelong. Past President of Barwon Heads Golf Club Women's Committee and now on the Main Committee of the Golf Club.

Special responsibilities: Community Development & Grants Committee

Interest in shares: 1,000

Andrew John Weinmann

Director (Appointed 27 October 2015)

Occupation: Lawyer

Qualifications, experience and expertise: LLB (Hons), BA (Flinders University). Andrew has practiced as a lawyer for 14 years. He heads the superannuation and insurance practice at Slater + Gordon Lawyers. He has a long record of service to community and public interest organisations, including the Wilderness Society and Job Watch Inc. He has volunteered at the Barwon Community Legal Service. Andrew became a member of the board in 2015 and was appointed the Public Officer in 2016.

Special responsibilities: Public Officer, Executive Committee

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Bruce Anthony Symons

Director (Appointed 15 December 2015)

Occupation: Consultant Dairy Industry

Qualifications, experience and expertise: Consulting since 2015 and previously spent five years as a CEO. Prior to that performed with distinction in senior marketing and sales roles in the food industry in Australia and Asia. Roles have varied from running a very successful Dairy Co-operative to launching a new retail product into the Japanese market, to managing the turn-around of a Pacific Island subsidiary. Bruce joined the Board at the end of 2015.

Special responsibilities: Business Development Committee

Interest in shares: 10,000

David Halliday

Director (Appointed 4 May 2016)

Occupation: Company Director

Qualifications, experience and expertise: Trained as a Chartered Accountant and was a Partner in a Melbourne firm before moving to Echuca to purchase a fuel distribution business. I am currently a director of a number of companies with various business activities. I am responsible for accounting and administration of these companies. I was a director of Echuca Community of the Aged for 10 years before joining the Bank Board.

Special responsibilities: Nil

Interest in shares: Nil

Peter Macmillan

Director (Appointed 15 June 2016)

Occupation: Chartered Accountant

Qualifications, experience and expertise: Commenced working with a firm of chartered accountants in Melbourne after matriculating, He qualified as chartered accountant in 1976 after night school courses. Initially worked in audit and transferred to business services after a 2 year stint in Darwin. Went on to senior manager before coming to Geelong and set up his own practise in 1986 which he still consults to. He has since commenced a financial planning business which is ongoing. He is a fellow of the institute of Chartered Accountants and a specialist financial planner. He has previously held board positions with St. Lawrence- Barwon and Bethany.

Special responsibilities: Nil

Interest in shares: Nil

Ross Walter

Director (Appointed 15 June 2016)

Occupation: Business Consultant

Qualifications, experience and expertise: Qualifications, experience and expertise: BBus(Supply Chain Management). Currently working as an independent consultant specializing in Business Operations, Strategy, Supply Chain Management and Business Development. Held a range of management and General Management positions over 20+ year career in retailing, wholesaling, food, liquor and logistics businesses, most recently as GM of Operations for the Joval Group, a substantial (\$400m) privately held retail / wholesale and services provider in the liquor and food industries. Senior executive and management board experience across a range of commercial entities and community organizations, including sporting clubs and community based organizations.

Special responsibilities: Nil

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Merilyn Joy Harris

Secretary (Resigned 24 May 2016)

Occupation: Retired

Qualifications, experience and expertise: MEd (Deakin) BEco (Monash). Merilyn initially trained as secondary school teacher but later spent many years working in senior management in the University sector. Her management portfolios have been across a broad range of functions including secretariat and governance, student services, human resources, marketing and communications technology. She is an active member of the local community including former committee member and player for the Barwon Heads Tennis Club, and past experience in the Easter Fair and Primary School Council. Merilyn has been a member of the Board since 2013.

Special responsibilities: Secretary

Interest in shares: 1

Jeffrey Michael Brooks (Resigned 27 October 2015)

Director

Occupation: Company Director

Qualifications, experience and expertise: Company Director involved in Electronic Security and Risk Management. Active member of the community.

Special responsibilities: Vice Chairman, Community Development, Business Development and Grants Committee

Interest in shares: 53,001

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 Erena Crowley. Erena was appointed to the position of secretary in June 2016, which was previously held by Merilyn Joy Harris.

Erena has spent most of her career in the Not for Profit Sector working on community engagement projects.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2016 \$	Year ended 30 June 2015 \$
72,225	23,661

Dividends

No dividends were declared or paid for the previous year and at the time of publication no dividend had been declared for the current year.

Directors' report (continued)

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended	
	Eligible	Attended
Thomas Edward White	12	8
Jeffrey John Cole	12	11
Graeme Leslie Hanel	12	9
Annette Amanda Cotter	12	10
Janice Margaret Dart	12	11
Margaret Christina Austin	12	10
Erena Crowley (Appointed 27 October 2015)	12	11
Andrew John Weinmann (Appointed 27 October 2015)	12	10
Bruce Anthony Symons (Appointed 15 December 2015)	7	5
David Halliday (Appointed 4 May 2016)	3	2
Peter MacMillan (Appointed 15 June 2016)	1	1

Directors' report (continued)

Directors' meetings (continued)

	Board Meetings Attended	
	Eligible	Attended
Ross Walter (Appointed 15 June 2016)	1	-
Marilyn Joy Harris (Resigned 24 May 2016)	10	9
Jeffrey Michael Brooks (Resigned 27 October 2015)	4	3

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

Signed in accordance with a resolution of the board of directors at Barwon Heads, Victoria on 23 August 2016.



Jeffrey John Cole,
Chairman

Auditor's independence declaration



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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 23 August 2016

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

David Hutchings
Lead Auditor

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

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Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Revenue from ordinary activities	4	774,277	762,432
Employee benefits expense		(362,277)	(393,114)
Charitable donations, sponsorship, advertising and promotion		(34,723)	(61,058)
Occupancy and associated costs		(115,577)	(111,526)
Systems costs		(34,562)	(34,749)
Depreciation and amortisation expense	5	(34,016)	(32,988)
General administration expenses		(83,729)	(88,047)
Profit before income tax expense		109,393	40,950
Income tax expense	6	(37,168)	(17,289)
Profit after income tax expense		72,225	23,661
Total comprehensive income for the year		72,225	23,661
Earnings per share for profit attributable to the ordinary shareholders of the company:			
		¢	¢
Basic earnings per share	21	8.84	2.89

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2016

	Notes	2016 \$	2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	658,903	510,179
Trade and other receivables	8	70,757	37,863
Total Current Assets		729,660	548,042
Non-Current Assets			
Property, plant and equipment	9	128,924	132,091
Intangible assets	10	81,759	103,755
Deferred tax asset	11	-	1,533
Total Non-Current Assets		210,683	237,379
Total Assets		940,343	785,421
LIABILITIES			
Current Liabilities			
Trade and other payables	12	57,916	14,617
Current tax liabilities	11	39,607	7,233
Provisions	13	5,932	3,275
Total Current Liabilities		103,455	25,125
Non-Current Liabilities			
Provisions	13	1,106	-
Deferred tax liabilities	11	3,261	-
Total Non-Current Liabilities		4,367	-
Total Liabilities		107,822	25,125
Net Assets		832,521	760,296
Equity			
Issued capital	14	789,491	789,491
Retained earnings/(Accumulated losses)	15	43,030	(29,195)
Total Equity		832,521	760,296

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2016

	Issued capital \$	Retained earnings/ (Accumulated Losses) \$	Total equity \$
Balance at 1 July 2014	789,491	(52,856)	736,635
Total comprehensive income for the year	-	23,661	23,661
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2015	789,491	(29,195)	760,296
Balance at 1 July 2015	789,491	(29,195)	760,296
Total comprehensive income for the year	-	72,225	72,225
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2016	789,491	43,030	832,521

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		811,040	839,243
Payments to suppliers and employees		(659,705)	(787,870)
Interest received		6,246	14,563
Income taxes paid		-	1,530
Net cash provided by operating activities	16	157,581	67,466
Cash flows from investing activities			
Payments for property, plant and equipment		(8,857)	(1,295)
Payments for intangible assets		-	(26,406)
Net cash used in investing activities		(8,857)	(27,701)
Cash flows from financing activities			
Repayment of borrowings		-	(4,802)
Net cash used in financing activities		-	(4,802)
Net increase in cash held		148,724	34,963
Cash and cash equivalents at the beginning of the financial year		510,179	475,216
Cash and cash equivalents at the end of the financial year	7(a)	658,903	510,179

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

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

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

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)

	Effective for annual reporting periods beginning on or after
AASB 9 Financial Instruments, and the relevant amending standards.	1 January 2018
AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2018
AASB 16 Leases	1 January 2019
AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.	1 January 2016
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.	1 January 2016
AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.	1 January 2016
AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.	1 January 2016
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2018
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.	1 January 2016
AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016
AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses.	1 January 2017
AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107.	1 January 2017

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

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

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

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

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

b) Revenue

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

Revenue calculation

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

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

Commission

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

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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.

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

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

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

c) Income tax

Current tax

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

g) Property, plant and equipment

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

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

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

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

Impairment

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

l) Leases

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

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

m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

m) Provisions (continued)

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.

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.

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Taxation (continued)

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

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

Estimation of useful lives of assets

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

Impairment of assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- services commissions	751,587	740,869
Total revenue from operating activities	751,587	740,869
Non-operating activities:		
- interest received	6,083	14,563
- rental revenue	16,607	7,000
Total revenue from non-operating activities	22,690	21,563
Total revenues from ordinary activities	774,277	762,432

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	3,028	10,949
- leasehold improvements	8,992	39

Amortisation of non-current assets:

- franchise agreement	2,000	2,000
- establishment fee	19,996	20,000
	34,016	32,988

Bad debts	39	19
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Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	35,560	7,233
- Movement in deferred tax	4,913	1,400
- Adjustment to deferred tax to reflect change to tax rate in future periods	(119)	82
- Recoupment of prior year tax losses	-	8,574
- Under/(Over) provision of tax in the prior period	(3,186)	-
	37,168	17,289

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

Operating profit	109,393	40,950
Prima facie tax on profit from ordinary activities at 28.5% (2015: 30%)	31,177	12,285

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 6. Income tax expense (continued)		
Add tax effect of:		
- non-deductible expenses	6,269	6,600
- timing difference expenses	(1,886)	(1,400)
- other deductible expenses	-	(1,678)
	35,560	15,807
Movement in deferred tax	4,913	1,400
Adjustment to deferred tax to reflect change of tax rate in future periods	(119)	82
Under/(Over) provision of income tax in the prior year	(3,186)	-
	37,168	17,289

Note 7. Cash and cash equivalents

Cash at bank and on hand	158,903	87,307
Term deposits	500,000	422,872
	658,903	510,179

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	158,903	87,307
Term deposits	500,000	422,872
	658,903	510,179

Note 8. Trade and other receivables

Trade receivables	53,697	21,613
Prepayments	12,377	11,403
Other receivables and accruals	4,683	4,847
	70,757	37,863

Note 9. Property, plant and equipment

Leasehold improvements		
At cost	144,378	144,378
Less accumulated depreciation	(34,908)	(25,916)
	109,470	118,462

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 9. Property, plant and equipment (continued)		
Plant and equipment		
At cost	39,625	30,770
Less accumulated depreciation	(20,171)	(17,141)
	19,454	13,629
Total written down amount	128,924	132,091
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	118,462	127,489
Less: depreciation expense	(8,992)	(9,027)
Carrying amount at end	109,470	118,462
Plant and equipment		
Carrying amount at beginning	13,629	14,295
Additions	8,857	1,295
Less: depreciation expense	(3,032)	(1,961)
Carrying amount at end	19,454	13,629
Total written down amount	128,924	132,091

Note 10. Intangible assets

Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(8,328)	(6,330)
	1,672	3,670
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(83,328)	(63,330)
	16,672	36,670
Redomicile fee		
At cost	63,415	63,415
	63,415	63,415
Total written down amount	81,759	103,755

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 11. Tax		
Current:		
Income tax payable	39,607	7,233
Non-Current:		
Deferred tax assets		
- accruals	2,228	1,981
- employee provisions	1,935	933
- tax losses carried forward		-
	4,163	2,914
Deferred tax liability		
- accruals	1,288	1,381
- property, plant and equipment	6,136	-
Net deferred tax asset/(liability)	(3,261)	1,533
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	4,794	10,057

Note 12. Trade and other payables

Trade creditors	28,922	2,043
Other creditors and accruals	28,994	12,574
	57,916	14,617

Note 13. Provisions

Current:		
Provision for annual leave	5,932	3,275
Non-Current:		
Provision for long service leave	1,106	-

Note 14. Contributed equity

817,464 ordinary shares fully paid (2015: 817,464)	817,464	817,464
Less: equity raising expenses	(27,973)	(27,973)
	789,491	789,491

Notes to the financial statements (continued)

Note 14. Contributed equity (continued)

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 241. As at the date of this report, the company had 269 shareholders.

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

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

Notes to the financial statements (continued)

Note 14. Contributed equity (continued)

Prohibited shareholding interest (continued)

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.

	2016 \$	2015 \$
Note 15. Retained earnings/(Accumulated losses)		
Balance at the beginning of the financial year	(29,195)	(52,856)
Net profit from ordinary activities after income tax	72,225	23,661
Balance at the end of the financial year	43,030	(29,195)

Note 16. 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	72,225	23,661
Non cash items:		
- depreciation	12,020	10,988
- amortisation	21,996	22,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(32,894)	1,535
- (increase)/decrease in other assets	1,537	11,587
- (Increase)/decrease in tax assets	-	-
- increase/(decrease) in payables	43,297	(10,172)
- increase/(decrease) in provisions	3,765	633
- increase/(decrease) in current tax liabilities	35,635	7,234
Net cash flows provided by operating activities	157,581	67,466

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 17. Leases		
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	94,575	91,820
- between 12 months and 5 years	23,644	114,775
	118,219	206,595

The Property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. There are two further 5 year options available.

Note 18. Auditor's remuneration

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

- audit and review services	4,100	3,950
- share registry services	2,945	2,229
- other non audit services	2,699	2,010
	9,744	8,189

Note 19. Director and related party disclosures

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

Thomas Edward White
Jeffrey John Cole
Graeme Leslie Hanel
Annette Amanda Cotter
Janice Margaret Dart
Margaret Christina Austin
Erena Crowley (Appointed 27 October 2015)
Andrew John Weinmann (Appointed 27 October 2015)
Bruce Anthony Symons (Appointed 15 December 2015)
David Halliday (Appointed 4 May 2016)
Peter MacMillan (Appointed 15 June 2016)
Ross Walter (Appointed 15 June 2016)
Marilyn Joy Harris (Resigned 24 May 2016)
Jeffrey Michael Brooks (Resigned 27 October 2015)

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

Notes to the financial statements (continued)

Note 19. Director and related party disclosures (continued)

	2016	2015
Directors' shareholdings		
Thomas Edward White	5,101	5,101
Jeffrey John Cole	-	-
Graeme Leslie Hanel	-	-
Annette Amanda Cotter	1,001	1,001
Janice Margaret Dart	-	-
Margaret Christina Austin	1,000	-
Erena Crowley (Appointed 27 October 2015)	-	-
Andrew John Weinmann (Appointed 27 October 2015)	-	-
Bruce Anthony Symons (Appointed 15 December 2015)	10,000	-
David Halliday (Appointed 4 May 2016)	-	-
Peter MacMillan (Appointed 15 June 2016)	-	-
Ross Walter (Appointed 15 June 2016)	-	-
Merilyn Joy Harris (Resigned 24 May 2016)	-	-
Jeffrey Michael Brooks (Resigned 27 October 2015)	53,001	53,001

There was no movement in directors' shareholdings during the year.

Note 20. Key Management Personnel Disclosures

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

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

Community Bank[®] Directors' Privileges Package

The board has adopted the **Community Bank**[®] Directors' Privileges package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank**[®] branch at Barwon Heads, Victoria. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the Directors from the Directors' Privilege Package are \$nil for the year ended 30 June 2016 (2015: \$nil).

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 21. Earnings per share		
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	72,225	23,661
<hr/>		
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	817,464	817,464

Note 22. Events occurring after the reporting date

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

Note 23. Contingent liabilities and contingent assets

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

Note 24. Segment reporting

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

Note 25. Registered office/Principal place of business

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

Registered Office

70 Hitchcock Avenue
Barwon Heads VIC 3227

Principal Place of Business

70 Hitchcock Avenue
Barwon Heads VIC 3227

Notes to the financial statements (continued)

Note 26. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 %	2015 %
Financial assets												
Cash and cash equivalents	158,903	87,307	500,000	422,872	-	-	-	-	-	-	1.20	4.30
Receivables	-	-	-	-	-	-	-	-	53,697	21,613	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	-	N/A	N/A
Payables	-	-	-	-	-	-	-	-	28,922	2,043	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

As at 30 June 2016, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

Notes to the financial statements (continued)

	2016	2015
	\$	\$
Note 26. Financial instruments (continued)		
Sensitivity Analysis (continued)		
Change in profit/(loss)		
Increase in interest rate by 1%	6,589	5,102
Decrease in interest rate by 1%	6,589	5,102
Change in equity		
Increase in interest rate by 1%	6,589	5,102
Decrease in interest rate by 1%	6,589	5,102

Directors' declaration

In accordance with a resolution of the directors of Barwon Heads Community Enterprise Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Jeffrey John Cole,
Chairman

Signed on the 23rd of August 2016.

Independent audit report



Independent auditor's report to the members of Barwon Heads Community Enterprise Limited

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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

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Independent audit report (continued)

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



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 23 August 2016 2016



David Hutchings
Lead Auditor

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