Annual Report 2016

Beaumaris Community Financial Services Limited

ABN 25 100 506 643

Beaumaris **Community Bank**® Branch

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Chairman's report

For year ending 30 June 2016

It is my pleasure to present the 14th Annual Report of your company, Beaumaris Community Financial Services Limited.

The market

It would be fair to say that the 2015/16 financial year was a difficult year for us. Competition was intense and, as interest rates dropped to their lowest level in 50 years, our margins were again reduced this time by 10% per $ million. This has been a trend over the last four years which has seen profitability drop by 36% per $ million.

Our customers naturally took advantage of lower interest rates by prepaying or paying down existing loans. This improved their equity but it also meant that we had to work harder to replace loans with new credit facilities.

On the deposit side, lower interest rates have meant that customers are reluctant to stay with term deposits and instead look to other asset classes such as shares and property for higher yields.

Our result

Despite these difficulties, our total business i.e. loans and deposits, grew from $96.2 million to $98.7 million. Our loss of $15,143 was significantly less than the $62,000 loss that was originally forecast. This better-than-budget result was due largely to responsible cost control measures by the Board and staff.

There were many worthwhile community activities that we could have supported. However, our donations and sponsorships were reduced to $3,367 from $6,207 the previous year as part of our cost control.

Our contributions to the community to date through sponsorships and donations now stand at an impressive $384,755.

Dividend

Given our results, the Board is unable to declare a dividend this year.

I know that some of our shareholders are disappointed that they have not received a dividend for so many years. We need to remember that the company you invested in, Beaumaris Community Financial Services Limited, is a small social enterprise operating in a particularly tough and highly regulated industry.

However, your Board is keenly aware that it has the responsibility to build shareholder wealth while at the same time having as its purpose to build a more prosperous community through grants and sponsorships.

We ask for your patience. I can assure you that paying a dividend within the next few years is a key objective of the Board.

Personnel Changes

Our Chairman, Phil McConnell resigned effective from 30 June last year. Phil was a founding member of the company and its Chairman for over a decade.

I would like to take this opportunity to thank Phil for his enormous contribution to the company and the community and for the help he has given me in my new role as Chairman.

A number of staff and Board members also resigned this year.

Before I go on and detail the changes, I'd like to note that this period highlighted the value of our partnership with Bendigo Bank. I'd like to thank our Regional Manager, Michelle McDonald, and her staff for the considerable support they gave us during this difficult time.

On a positive note, these changes provided us with the opportunity to appoint a new Manager, staff and Directors.

Chairman's report (continued)

We were very fortunate to have Lew Rimington join us in March as our new Branch Manager. Lew's background in banking and more recently, real estate, makes him ideally suited to the task. We thank him for the enthusiasm and commitment he brings to the role.

We also appointed two new staff members. Jonalyn Snell was appointed Customer Relations Officer [CRO] and Rebecca Pettigrew commenced with us as a Customer Service Officer [CSO]. Together with Sharan Talbot, our Senior Customer Service Officer [SCSO] and Sue Buckell [CSO], we now have a great team that brings energy and enthusiasm to the business. This is reflected in some wonderful testimonials from our customers. I'd like to thank them for their commitment, hard work and wonderful customer service.

The Board

Five Directors retired during the year. They are: Catherine Powell, Alan Jones, Jacques Mellon, Graham Lund and Mike Flavell. We record our appreciation for their contribution and service to the Board and the community.

We welcome new Directors Janina Puttick, Paul Widdis, Terry Michael, Peter Demura and David Stewart who were all appointed to fill the casual vacancies.

In accordance with the requirements of the Corporations Act 2001, the new Directors are required to offer themselves for election to the Board at the 2016 Annual General Meeting and have elected to do so. I have no hesitation in supporting their candidature.

I would like to thank these new Directors for their commitment, contribution and dedication in acting in the interests of all shareholders. They bring a wide range of skills and experience to the Board and are working hard to ensure that Beaumaris Community Financial Services Limited becomes a sustainably, profitable company once again.

The Board has focused on a number of activities during the year to help us achieve this goal:

- In December, we held a Board Review to look at the Board's strengths and weaknesses. We will do this on a regular basis to ensure that the Board is effective in meeting its obligations.
- We held several strategy planning sessions resulting in a three to five year Strategic Plan to achieve growth. This blueprint sets out clearly the areas that offer us the best growth potential.
- With the assistance of Bendigo Bank, we conducted a Board Skills Assessment at the beginning of the year. This highlighted some skills that were missing from the Board and the new Directors were appointed to fill the gaps. We will conduct a Skills Assessment on a regular basis to ensure that we have the necessary skills to carry out our Strategic Plan.
- In April, two Directors and myself attended the Bendigo Bank State Metro Conference in San Remo. This gave us an excellent opportunity to network and gather new ideas on how we can help to grow the business.
- A shareholder evening was held in May to provide shareholders with the opportunity to meet our new Manager and be briefed on the company's performance. This is part of a long term strategy to better engage with you, our shareholders.
- We are also building a strong relationship with the Beaumaris Sports Club [BSC]. The BSC brings together the Beaumaris Football Club, Beaumaris Cricket Club and Beaumaris Tennis Club all under the one roof. The new building will become an important community hub. Our support for this exciting project will lift our profile in the community and provide many opportunities to help grow the business.
- We have also re-connected with organisations such as the Bayside City Council and Beaumaris Rotary to share in projects that will allow us to add further value to the community.
- We continued to support local activities such as the Concourse Car and Bike Show, Beaumaris Christmas Carols, The Day on Oak St and Beaumaris Primary School Fete.

Chairman's report (continued)

Advocacy

Directors have also been active in referring new business to the Manager. I take this opportunity to ask you, who had the faith to invest in our **Community Bank**® branch to bring your business to us or advocate on our behalf. I set you a challenge – tell one new person every month about your **Community Bank**® company shareholding and how banking with us makes a difference in the community.

Our partner – Bendigo Bank

As mentioned earlier, the relationship with Bendigo Bank, our partner in this enterprise, continues to be strong. The **Community Bank**® network now stands at 312 – an incredible force that has resulted in over $148 million being returned to communities. Many of the recommendations from Project Horizon are now starting to flow through. Project Horizon is the first major assessment of the **Community Bank**® model undertaken since inception.

The recommendation that will affect us most is the change in the profit share arrangement with Bendigo Bank. Known as Funds Transfer Pricing, the new arrangement benefits us substantially and early results indicate a substantial improvement in our income. However, this is no substitute for continued growth in our business and improvements in operating performance.

Other recommendations such as improved Director education, better platforms to share ideas and community stories all reflect the commitment that our partner has for the **Community Bank**® model.

In summary, there is much to be excited about in the coming year. I look forward to keeping you updated on how your **Community Bank**® is progressing as we all work together to grow a more prosperous community.

Chris Shaw
Chairman

Manager’s report

For year ending 30 June 2016

How excited am I at being the Manager at our Beaumaris **Community Bank**® Branch?

Super excited!

Why? The reasons are many.

Since commencing in March this year I have become totally immersed in this our Beaumaris **Community Bank**® Branch. Not just as a shareholder of the Bendigo Bank; not just as a future shareholder of the **Community Bank**® company; but as an investor who truly believes in Bendigo Bank’s **Community Bank**® model and our immediate future.

It is easy to be excited, especially when you realise what the branch customers and branch personnel have endured over the previous 18-month period. Lots of staff changes inevitably resulted in instability and inconsistencies of service.

Today our team is stable, dedicated, friendly and professional. I would like to publically thank each of them personally for their patience, support and commitment to our journey together.

How exciting is it to bear witness to the evolution of a new and rejuvenated **Community Bank**® company Board? I must personally thank our Chairman, Chris Shaw for his unwavering support, work ethic and single-minded desire to see the branch succeed. All the Directors deserve praise for the huge amount of voluntary hours they put into our **Community Bank**® branch.

If there is one individual who gets as excited as me when it comes to the Beaumaris **Community Bank**® Branch, then that would be the Bayside Region’s Senior Manager for Strategy and Performance, Michelle McDonald. Michelle along with her team has remained loyal and as committed as ever to our joint strategy for success.

Talking about excited! This Bayside Region’s employees get the gong for sharing in the excitement of every product sale our team makes. My personal appreciation also goes to Fiona Kerr the Bayside Region’s Sales & Capability Manager for her one to one coaching in my first few months at the branch.

It is always exciting to see our very loyal customers and/or shareholders come into our branch and interact with our team on so many levels. It is our pleasure to continue to build these relationships and for you to feel connected enough to share with us a little of your life’s stories and objectives.

As already outlined by our Chairman, the much improved results have begun revealing themselves in our financial performance. It is exciting to think that collectively we are really only just getting started.

I have been really excited to see the improved priority being given to the communication toward and acknowledgement of the role our **Community Bank**® company shareholders play. I, like you, look forward to seeing a return on our investment not just in monetary terms but also in the pride and knowledge of being part of something much bigger. We share a real sense of community.

Make no mistake though; today’s banking environment is undergoing great change from a variety of economic conditions, new technologies and increased competition. I am excited about these challenges. My excitement comes from the knowledge that Beaumaris Community Financial Services Limited has a well thought out plan. We also have the personnel and strategy to address and adjust to these challenges. I am truly excited to be part of the branch’s frontline team to drive our **Community Bank**® branch forward.

Finally, I am excited to continue my first complete financial year as your Branch Manager. I hope you can feel and share this, my genuine excitement.

Lewis (Lew) Rimington
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2016

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

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

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

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

The statistics are impressive:

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

Yes, these figures are staggering.

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

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

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

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

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

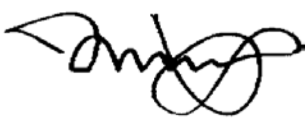
To every single one of our 1,900-plus **Community Bank**® company Directors, thank you for your commitment, your confidence in Bendigo and Adelaide Bank and your vision to make your community a better place to live.

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

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

On behalf of Bendigo Bank, thank you.

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



Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2016

The Directors present their report of the company for the financial year ended 30 June 2016.

Directors

The following persons were Directors of Beaumaris Community Financial Services Limited during or since the end of the financial year up to the date of this report:

Chris Shaw, B.Comm, Grad Dip Bus Admin, Chair

Experience and expertise	Many years experience in the fashion industry, initially in manufacturing and then import/distribution. Board member since 2013
Other current Directorships	Palombi Pty Ltd, Finwear Pty Ltd, Leck Pty Ltd.
Former Directorships in last 3 years	No Directorships
Special responsibilities	Chairman

David Wilson, Associate Member of the Institute of Chartered Accountants.

Experience and expertise	Previouly owned a chartered accountancy practice for over 25 years. Currently consulting for SME's. Board member since 2012.
Other current Directorships	The David Wilson Alliance Pty Ltd.
Former Directorships in last 3 years	No Directorships
Special responsibilities	Treasurer

Graeme Lund, Cert IV in Property

Resigned 13.7.2015

Experience and expertise	Operated a successful fashion agency for 30 years, the last 15 years as local estate agent
Other current Directorships	No other Directorships
Former Directorships in last 3 years	No Directorships
Special responsibilities	

Catherine Powell, B. Bus (HR), Grad Dip Continuting Education, Cert III Investigative Services.

Resigned 10.2.2016

Experience and expertise	Many years experience in conflict management, performance management, HR advice and mediation. Board member from 2011 - February 2016.
Other current Directorships	Acadine Pty Ltd
Former Directorships in last 3 years	No Directorships
Special responsibilities	

Allan Jones

Resigned 23.12.2015

Experience and expertise	Worked as a public servant until his retirement in 2003. Board member from 2004 - December 2015.
Other current Directorships	
Former Directorships in last 3 years	No Directorships
Special responsibilities	

Directors (continued)

Jacques Mellon

Resigned 4.4.2016

Experience and expertise	Owner of a picture framing business in Cheltenham. 30 years experience with multi-national corporations. Board member from November 2014 - April 2016.
Other current Directorships	The Spanish Experience Pty Ltd, Nullem Enterproses Pty Ltd, Pheonix Logistics Pty Ld, Phoenix Visual Pty Ltd
Former Directorships in last 3 years	No Directorships
Special responsibilities	

William John Michael Flavell

Resigned 22.12.2015

Experience and expertise	Building Practitioner and Direct Sales Specialist. Board member from June 2014 - December 2015.
Other current Directorships	M Flavell & Associates Pty Ltd.
Former Directorships in last 3 years	No Directorships
Special responsibilities	

Paul Widdis, Assoc Diploma of Business

Appointed 29/9/2015

Experience and expertise	General Manager of Dometic Australia Pty Ltd. Very experienced in leading a sales and marketing organisation.
Other current Directorships	Widlan Pty Ltd
Former Directorships in last 3 years	TCL Australia Pty Ltd
Special responsibilities	

Terry Michael, GMP, MBA, MAICD, MPD, PRINCE2

Appointed 22/12/2015

Experience and expertise	Terry is as a consultant in digital technology working with large corporations and recently completed the General Management Program at Harvard Business School. He is also an accomplished artist.
Other current Directorships	TLM Pty Ltd, Michael Family Trust
Former Directorships in last 3 years	Hawthorn Art Society, Ondru and Pokies Anonymous,
Special responsibilities	Deputy Chairman

Peter Demura, Bcom(Hons), MBA, MAppFin, GAICD

Appointed 25/2/2016

Experience and expertise	Strategy, Economics and Risk Consultant. Previously held key management roles in Rio Tinto, DDM Capital , PwC and BHP Billiton
Other current Directorships	PD & KG Nominees Pty Ltd, PD & KG Super Pty Ltd, Alpha Economics Pty Ltd
Former Directorships in last 3 years	No Directorships
Special responsibilities	Low Volume Market and Share Register

Directors (continued)

Janina Puttick, BSc (Chemistry), BBs (Accounting)

Appointed 29/3/2016

Experience and expertise	Accounting and business administration
Other current Directorships	Australasian Learning Institute Pty Ltd, Great Barrier Pty Ltd
Former Directorships in last 3 years	No Directorships
Special responsibilities	Secretary and Bookkeeper

David Stewart, B Ed; Grad Dip Sports Science; Masters Business Leadership

Appointed 26/4/2016

Experience and expertise	Consultant specialising on Culture and Strategy & Business Investment. Principal and founder RYP International and A Book in a Day.
Other current Directorships	RYP International, Book In A Day
Former Directorships in last 3 years	Mentone Girls Grammar [Chair], NLC, Baldasso Cortese Architects, RACI WA
Special responsibilities	

Directors were in office for this entire year unless otherwise stated.

Janina Puttick is contracted to provide bookkeeping services for the company.

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings	
Director	**A**	**B**
Chris Shaw	12	11
David Wilson	12	9
Graeme Lund [Resigned 13.7.2015]	12	0
Catherine Powell (Resigned 10.2.2016)	7	6
Allan Jones (Resigned 23.12.2016)	5	5
Jacques Mellon (Resigned 4.4.2016)	9	5
William John Michael Flavell (Resigned 20.12.2015)	4	4
Paul Widdis (Appointed 29.9.2015)	9	6
Terry Michael (Appointed 22.12.2015)	8	8
Peter Demura (Appointed 23.2.2016)	6	6
Janina Puttick (Appointed 29.3.2016)	4	4
David Stewart (Appointed 26.4.2016)	3	2

A - The number of meetings eligible to attend.
B - The number of meetings attended.

Company Secretary

Janina Puttick has been the Company Secretary of Beaumaris Community Financial Services Limited since 2015.

Janina's qualifications and experience include a BSc in Chemistry, BBs Accounting and recently completed her CPA qualification. Janina is the owner of a Bookkeeping and Accounting business based in Beaumaris since 2001.

Principal activities

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

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

Review of operations

The loss of the company for the financial year after provision for income tax was $15,143 (2015 profit: $9,313), which is a 263% decrease as compared with the previous year.

Dividends

No dividend has been declared or paid for the year ended 30 June 2016 as yet (2015: Nil).

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to the end of the reporting period

A core principle of the **Community Bank®** model is a 50/50 share of margin earned on core banking products. To better reflect this core principal, a new Revenue Share model was introduced from 1 July, 2016.

Bendigo and Adelaide Bank Limited ("BEN") has adopted a Funds Transfer Pricing (FTP) model for **Community Bank®** Revenue Share, effective 1 July 2016. BEN applies its FTP methodology to regulatory reporting, performance management and revenue share. The FTP model:

- is a method used to measure how much each account or product is contributing to overall profitability, given a current cost of marginal funding.
- gives the BEN Group a better understanding of the net interest margin component of overall profitability.
- assigns a FTP rate based on the repricing characteristics and behavioural duration of products.

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

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

Modelling of the new Funds Transfer Pricing Model has been undertaken for Beaumaris Community Financial Services based on the existing business over a 12 month period. This modelling compares the Future State to the Current State of the business and indicates that Beaumaris Community Financial Services will be positively affected by the change.

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Directors' report (continued)

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

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.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or 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 any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 12 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Beaumaris on 27 September 2016.

Christopher Shaw
Chairman

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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28th September 2016

The Directors
Beaumaris Community Financial Services Limited
32 East Concourse
BEAUMARIS VIC 3193

To the Directors of Beaumaris Community Financial Services Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2016 there has been no contraventions of:

(i) the Auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

P. P. Delahunty
Partner
Richmond Sinnott & Delahunty

Financial statements

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

	Notes	2016 $	2015 $
Revenue	2	488,719	527,916
Expenses			
Employee benefits expense	3	(286,802)	(309,702)
Depreciation and amortisation	3	(26,252)	(18,293)
Finance costs	3	(45)	-
Bad and doubtful debts expense	3	(1,856)	(121)
Occupancy expenses		(29,525)	(30,232)
IT costs		(46,104)	(47,327)
Rental Expenses		(33,801)	(36,355)
Other expenses		(78,784)	(72,037)
Operating profit / (loss) before charitable donations and sponsorships		**(14,450)**	**13,849**
Charitable donations and sponsorships		(3,367)	(6,207)
Profit / (loss) before income tax		**(17,817)**	**7,642**
Income tax expense / (benefit)	4	(2,674)	(1,671)
Profit/(loss) for the year		**(15,143)**	**9,313**
Other comprehensive income		-	-
Total comprehensive income for the year		**(15,143)**	**9,313**
Profit / (loss) attributable to members of the company		(15,143)	9,313
Total comprehensive income attributable to members of the company		**(15,143)**	**9,313**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	15	(2.59)	1.59

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2016

	Notes	2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	5	201,916	179,257
Trade and other receivables	6	46,257	45,996
Other assets	7	5,534	5,526
Total current assets		**253,707**	**230,779**
Non-current assets			
Property, plant and equipment	8	132,746	143,035
Intangible assets	9	14,348	30,311
Deferred tax assets	4	31,557	28,883
Total non-current assets		**178,651**	**202,229**
Total assets		**432,358**	**433,008**
Liabilities			
Current liabilities			
Trade and other payables	10	63,910	41,883
Provisions	11	2,388	7,976
Total current liabilities		**66,298**	**49,859**
Non-current liabilities			
Provisions	11	1,505	3,451
Total non-current liabilities		**1,505**	**3,451**
Total liabilities		**67,803**	**53,310**
Net assets		**364,555**	**379,698**
Equity			
Issued capital	12	526,103	526,103
Accumulated losses	13	(161,548)	(146,405)
Total equity		**364,555**	**379,698**

The accompanying notes form part of these financial statements.

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

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2014		526,103	(155,718)	370,385
Profit for the year		-	9,313	9,313
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**9,313**	**9,313**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	22	-	-	-
balance at 30 june 2015		**526,103**	**(146,405)**	**379,698**
Balance at 1 July 2015		526,103	(146,405)	379,698
Loss for the year		-	(15,143)	(15,143)
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**(15,143)**	**(15,143)**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	22	-	-	-
Balance at 30 June 2016		**526,103**	**(161,548)**	**364,555**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		514,893	531,783
Payments to suppliers and employees		(493,090)	(510,706)
Interest paid		(45)	-
Interest received		901	1,114
Income tax paid		-	7,204
Net cash provided by / (used in) operating activities	**14**	**22,659**	**29,395**
Net increase / (decrease) in cash held		**22,659**	**29,395**
Cash and cash equivalents at beginning of financial year		179,257	149,862
Cash and cash equivalents at end of financial year	**5**	**201,916**	**179,257**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

The financial statements were authorised for issue by the Directors on 27 September 2016.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

<u>Economic dependency</u>

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

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank”, the logo, and systems of operation of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branches 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.

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 Managers 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; and
- Sale techniques and proper customer relations.

Note 1. Summary of significant accounting policies (continued)

(b) Income tax

The income tax expense / (income) for the year comprises current income tax expense / (income) and deferred tax expense / (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/ (assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

(c) Fair value of assets and liabilities

The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

<u>Plant and equipment</u>

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

Note 1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Plant and equipment (continued)

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of asset	Rate	Method
Leasehold improvements	2.5%	SL
Plant and equipment	10-30%	DV

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) 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 recognising 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 recognised as expenses in the periods in which they are incurred.

Note 1. Summary of significant accounting policies (continued)

(f) Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(g) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(h) Employee benefits

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Note 1. Summary of significant accounting policies (continued)

(i) Intangible assets

Establishment costs and franchise fees have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation in the Statement of Profit or Loss and Other Comprehensive Income.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(k) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

Interest revenue is recognised on a time proportional basis that taken into account the effective yield on the financial asset.

Dividend revenue is recognised when the right to the income has been established.

Rental income is recognised on a straight line basis over the lease term.

All revenue is stated net of the amount of goods and services tax (GST).

(l) Investments and other financial assets

<u>(i) Classification</u>

The company classifies its financial assets in the following categories:

- loans and receivables,

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

<u>Loans and receivables</u>

This category is the most relevant to the company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

<u>(ii) Measurement</u>

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(ii) Measurement (continued)

- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

(iii) Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(iii) Impairment (continued)

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(iv) Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire 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. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when ther eis objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

(n) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(o) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(p) Dividends

Provision is made for the amount of any dividends declared being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year, but not distributed at balance date.

(q) New and amended accounting policies adopted by the company

There are no new and amended accounting policies that have been adopted by the company this financial year.

(r) Comparative figures

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

Note 1. Summary of significant accounting policies (continued)

(s) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servcing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjsuted for bonus elements in ordinary shares issues during the year.

(t) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018).

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on:
   (i) the objective of the entity's business model for managing the financial assets; and
   (ii) the characteristics of the contractual cash flows.
b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.
d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
   - the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
   - the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also
   - presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

Note 1. Summary of significant accounting policies (continued)

(t) New accounting standards for application in future periods (continued)

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018). (continued)

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

In May 2015, the AASB issued ED 260 Income of Not-forProfit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

(iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for ‘on-balance sheet’ by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

Note 1. Summary of significant accounting policies (continued)

(t) New accounting standards for application in future periods (continued)

(iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019). (continued)

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

(u) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

<u>Estimation of useful lives of assets</u>

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

<u>Employee benefits provision</u>

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

<u>Income tax</u>

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

<u>Impairment</u>

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

Note 2. Revenue

	2016 $	**2015 $**
Revenue		
- services commissions	487,818	526,802
	487,818	**526,802**

	2016 $	2015 $

Note 2. Revenue (continued)

Other revenue		
- interest received	901	1,114
	901	**1,114**
Total revenue	**488,719**	**527,916**

Notw 3. Expenses

Profit before income tax inculdes the following specific expenses:

Employee benefits expense		
- wages and salaries	242,314	264,981
- superannuation costs	22,825	27,048
- other costs	21,663	17,673
	286,802	**309,702**
Depreciation and amortisation		
Depreciation		
- plant and equipment	7,068	8,249
- leasehold improvements	3,221	2,934
	10,289	**11,183**
Amortisation		
- franchise fees	15,963	7,110
	15,963	**7,110**
Total depreciation and amortisation	**26,252**	**18,293**
Finance costs		
- Interest paid	45	-
Bad and doubtful debts expenses	1,856	121
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	4,600	4,510
	4,600	**4,510**

	2016 $	2015 $

Note 4. Income tax

	2016 $	2015 $
a. The components of tax expense / (income) comprise:		
Current tax expense / (income)	(2,674)	(1,671)
Deferred tax expense / (income) relating	-	-
Recoupment of prior year tax losses	-	-
Under / (over) provision of prior years	-	-
	(2,674)	**(1,671)**
b. Prima facie tax payable		
The prima facie tax on profit / (loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit / (loss) before income tax at 28.5% (2015: 30%)	(5,078)	2,293
Add tax effect of:		
- Utilisation of previously unrecognised carried forward tax losses		
- Change in company tax rate	1,444	-
- Non-deductible expenses	960	(3,964)
Income tax attributable to the entity	**(2,674)**	**(1,671)**
The applicable weighted average effective tax rate is	15.01%	-21.87%
c. Deferred tax asset / (liability)		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Accruals	2,186	-
Employee provisions	1,110	-
Unused tax losses	28,261	28,883
	31,557	**28,883**
Net deferred tax asset / (liability)	**31,557**	**28,883**
e. Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(2,674)	(1,671)
(Decrease) / increase in deferred tax liabilities	-	-
Under / (over) provision prior years	-	-
	(2,674)	**(1,671)**

	2016 $	2015 $

Note 5. Cash and cash equivalents

Cash at bank and on hand	201,916	179,257
	201,916	**179,257**

Note 6. Trade and other receivables

Current		
Trade receivables	46,257	45,996
	46,257	**45,996**

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

			Past due but not impaired			
	Gross amount $	**Past due and impaired $**	**< 30 days $**	**31-60 days $**	**> 60 days $**	**Not past due $**
2016						
Trade receivables	46,257	-	-	-	-	46,257
Total	**46,257**	**-**	**-**	**-**	**-**	**46,257**
2015						
Trade receivables	45,996	-	-	-	-	45,996
Total	**45,996**	**-**	**-**	**-**	**-**	**45,996**

	2016 $	2015 $

Note 7. Other assets

	2016 $	2015 $
Prepayments	3,734	3,726
Security bond	1,800	1,800
	5,534	**5,526**

Note 8. Property, plant and equipment

	2016 $	2015 $
Leasehold improvements		
At cost	124,970	159,810
Less accumulated depreciation	(13,004)	(44,623)
	111,966	**115,187**
Plant and equipment		
At cost	101,923	181,412
Less accumulated depreciation	(81,143)	(153,564)
	20,780	**27,848**
Total property, plant and equipment	**132,746**	**143,035**
Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the reporting period	115,187	118,121
Additions	-	-
Disposals	-	-
Depreciation expense	(3,221)	(2,934)
Balance at the end of the reporting period	**111,966**	**115,187**
Plant and equipment		
Balance at the beginning of the reporting period	27,848	36,097
Additions	-	-
Disposals	-	-
Depreciation expense	(7,068)	(8,249)
Balance at the end of the reporting period	**20,780**	**27,848**
Total property, plant and equipment		
Balance at the beginning of the reporting period	143,035	154,218
Additions	-	-
Disposals	-	-
Depreciation expense	(10,289)	(11,183)
Balance at the end of the reporting period	**132,746**	**143,035**

Notes to the financial statements (continued)

	2016 $	2015 $

Note 9. Intangible assets

Franchise fee		
At cost	57,686	57,686
Less accumulated amortisation	(43,338)	(27,375)
	14,348	**30,311**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	30,311	37,421
Additions	-	-
Disposals	-	-
Amortisation expense	(15,963)	(7,110)
Balance at the end of the reporting period	**14,3482**	**30,311**

Note 10. Trade and other payables

Current		
Unsecured liabilities:		
Trade creditors	28,524	14,089
GST Liability	21,388	20,817
Other creditors and accruals	13,998	6,977
	63,910	**41,883**

The average credit period on trade and other payables is one month.

Note 11. Provisions

Current		
Employee benefits	2,388	7,976
Non-current		
Employee benefits	1,505	3,451
Total provisions	**3,893**	**11,427**

	2016 $	2015 $

Note 12. Share capital

	2016 $	2015 $
584,559 Ordinary shares fully paid	584,559	584,559
Less: Equity raising costs	(58,456)	(58,456)
	526,103	**526,103**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	584,559	584,559
Shares issued during the year	-	-
At the end of the reporting period	**584,559**	**584,559**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

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 Statement of Financial Position.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

(i) the Distribution Limit is the greater of:

  (a) 20% of the profit or funds of the company 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; and

(ii) 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 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

	2016 $	2015 $
Note 13. Accumulated losses		
Balance at the beginning of the reporting period	(146,405)	(155,718)
Profit/(loss) after income tax	(15,143)	9,313
Dividends paid	-	-
Balance at the end of the reporting period	**(161,548)**	**(146,405)**

Note 14. Statement of cash flows

(a) Reconciliation of cash flow from operations with profit after income tax

Profit / (loss) after income tax	(15,143)	9,313
Non-cash flows in profit		
- Depreciation	10,289	11,183
- Amortisation	15,963	7,110
- Bad debts	1,856	121
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(2,117)	4,860
- (increase) / decrease in prepayments and other assets	(8)	-
- (Increase) / decrease in deferred tax asset	(2,674)	(1,671)
- (Increase) / decrease in income tax receivable	-	7,204
- Increase / (decrease) in trade and other payables	22,027	4,305
- Increase / (decrease) in provisions	(7,534)	(13,030)
Net cash flows from / (used in) operating activities	**22,659**	**29,395**

Note 15. Earnings per share

Basic earnings per share (cents)	(2.59)	1.59
Earnings used in calculating basic and diluted earnings per share	(15,143)	9,313
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share.	584,559	584,559

Note 16. Key management personnel and related party disclosures

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

Note 16. Key management personnel and related party disclosures (continued)

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

Name of related party	Description of goods/services	Value $
Janina Puttick (Bookkeeper & Director)	Book keeping	11,616

(d) Key management personnel shareholdings

The number of ordinary shares in Beaumaris Community Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2016	2015
Chris Shaw	5,000	5,000
David Wilson	-	-
Graeme Lund [Resigned 13.7.2015]	-	-
Catherine Powell (Resigned 10.2.2016)	-	-
Allan Jones (Resigned 23.12.2016)	1,000	1,000
Jacques Mellon (Resigned 4.4.2016)	-	-
William John Michael Flavell (Resigned 20.12.2015)	-	-
Paul Widdis (Appointed 29.9.2015)	-	-
Terry Michael (Appointed 22.12.2015)	-	-
Peter Demura (Appointed 23.2.2016)	-	-
Janina Puttick (Appointed 29.3.2016)	-	-
David Stewart (Appointed 26.4.2016)	-	-

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

Note 17. Events after the reporting period

A core principle of the **Community Bank**® model is a 50/50 share of margin earned on core banking products. To better reflect this core principal, a new Revenue Share model was introduced from 1 July, 2016.

Bendigo and Adelaide Bank Limited ("BEN") has adopted a Funds Transfer Pricing (FTP) model for **Community Bank**® Revenue Share, effective 1 July 2016. BEN applies its FTP methodology to regulatory reporting, performance management and revenue share. The FTP model:

- is a method used to measure how much each account or product is contributing to overall profitability, given a current cost of marginal funding.
- gives the BEN Group a better understanding of the net interest margin component of overall profitability.
- assigns a FTP rate based on the repricing characteristics and behavioural duration of products.

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

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

Modelling of the new Funds Transfer Pricing Model has been undertaken for Beaumaris Community Financial Services based on the existing business over a 12 month period. This modelling compares the Future State to the Current State of the business and indicates that Beaumaris Community Financial Services will be positively affected by the change.

Note 18. Contingent liabilities and contingent assets

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

Note 19. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Beaumaris, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2015: 100%).

	2016 $	**2015 $**
Note 20. Commitments		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.		
Payable:		
- no later than 12 months	37,658	37,182
- between 12 months and five years	14,564	52,222
- greater than five years	-	-
Minimum lease payments	**52,222**	**89,404**

Note 20. Commitments (continued)

The property lease is a non-cancellable lease with a six year term, with rent payable monthly in advance and with CPI increases each year. The lease has 2, 5-year options.

Note 21. Company details

The registered office is: 13 North Concourse, Beaumaris VIC 3193.

The principle place of business is: 32 East Concourse, Beaumaris VIC 3193.

Note 22. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year

No dividends were paid or proposed by the company during the period. (2015: Nil).

Note 23. Financial risk management

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports to the Board.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 Financial Instruments: Recognition and Measurement as detailed in the accounting policies are as follows:

	Note	2016 $	2015 $
Financial assets			
Cash and cash equivalents	5	201,916	179,257
Trade and other receivables	6	46,257	45,996
Total financial assets		**248,173**	**225,253**
Financial liabilities			
Trade and other payables	10	42,522	21,066
Total financial liabilities		**42,522**	**21,066**

Note 23. Financial risk management (continued)

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

<u>Credit risk exposures</u>

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the table above.

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

None of the assets of the company are past due (2015: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis:

30 June 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0%	201,916	201,916	-	-
Trade and other receivables		46,257	46,257	-	-
Total anticipated inflows		**248,173**	**248,173**	**-**	**-**
Financial liabilities					
Trade and other payables		42,522	42,522	-	-
Total expected outflows		**42,522**	**42,522**	**-**	**-**
Net inflow on financial instruments		**205,651**	**205,651**	**-**	**-**

30 June 2015	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0%	179,257	179,257	-	-
Trade and other receivables		45,996	45,996	-	-
Total anticipated inflows		**225,253**	**225,253**	**-**	**-**
Financial liabilities					
Trade and other payables		21,066	21,066	-	-
Total expected outflows		**21,066**	**21,066**	**-**	**-**
Net inflow on financial instruments		**204,187**	**204,187**	**-**	**-**

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the company to interest rate risk are cash and cash equivalents.

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit $	Equity $
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	2,019	2,019
+/- 1% in interest rates (interest expense)	-	-
	2,019	**2,019**
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	1,793	1,793
+/- 1% in interest rates (interest expense)	-	-
	1,793	**1,793**

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

Fair value estimation

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company.

Note 23. Financial risk management (continued)

(d) Price risk (continued)

Fair values (continued)

	2016		2015	
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair Value $**
Financial assets				
Cash and cash equivalents (i)	201,916	201,916	179,257	179,257
Trade and other receivables (i)	46,257	46,257	45,996	45,996
Total financial assets	**248,173**	**248,173**	**225,253**	**225,253**
Financial liabilities				
Trade and other payables (i)	42,522	42,522	21,066	21,066
Total financial liabilities	**42,522**	**42,522**	**21,066**	**21,066**

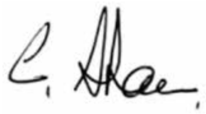
(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

Directors’ declaration

In accordance with a resolution of the Directors of Beaumaris Community Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 13 to 40 are in accordance with the Corporations Act 2001 and:
    (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
    (ii) give a true and fair view of the company’s financial position as at 30 June 2016 and of the performance for the year ended on that date;
2. In the Directors’ opinion 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 resolution is made in accordance with a resolution of the Board of Directors.



Christopher Shaw
Chairman

Signed at Beaumaris on 27 September 2016.

Independent audit report

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAUMARIS COMMUNITY FINANCIAL SERVICES LIMITED

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. 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 (IFRS).

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers internal control relevant to the company's preparation 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 company'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.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Beaumaris Community Financial Services Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of Beaumaris Community Financial Services Limited is 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 year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

P. P. DELAHUNTY
Partner

Dated at Bendigo, 29th September 2015

Beaumaris **Community Bank**® Branch
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