Annual Report 2016

Belfast Community Enterprises Limited

ABN 65 161 382 832

Port Fairy & District **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2016

On behalf of the Belfast Community Enterprises Limited Board, I am pleased to provide my Chairman's report for the company's 2016 Annual Report.

We experienced another very encouraging year for our **Community Bank**® branch where we have seen continuing support during sustained difficult economic times. Our business growth targets were achieved and we continue to contribute back to our local community.

Underlying this success was a growth in footings from $78.81 million to 94.155 million and our customer numbers increased from 628 to 865.

With that growth we were able to contribute back to community an additional $30,000 this year, bringing our total contributions since commencing the business to nearly $90,000.

Under the leadership of Branch Manager Ashley King and Customer Relationship Manager Rachel Root, our team is gaining a reputation in the region as leaders in community engagement, delivering real benefits to Port Fairy and district.

Our company supports the Branch Manager in his role as president of the Port Fairy Football Netball Club and sees this as part of our investment in building the "community balance sheet".

Your **Community Bank**® branch keeps community capital and profit in the community for the benefit of the whole community, with its strength and growth based firmly in the ongoing support of its community.

By owning our own banking business, we as shareholders, Directors, employees and account holders are now in control of our own destiny.

We believe that after just two years our company has established a solid "brand" in the region, and we will do everything possible to maintain and extend that brand, whilst working in conjunction with our community to achieve practical and effective outcomes for each party.

But of course we can always do better. We need more shareholders to transition their business and accounts to the branch, so they take more of an active role in supporting our business and community strategies.

So we need to work harder at advocating our point of difference and the reason for our existence, even to those who originally supported us.

Our point of difference is that we provide support, financial and otherwise, to local organisations by and through great banking services to our community.

We have now well and truly passed our break-even point and that is a great result for any new business after just two years of operation. This has all been made possible by our customers.

We need your business to offer greater support to our community to improve its amenity and liveability in difficult and uncertain times.

And of course when the company's earnings are right we will be in a position to look at the prospect of paying dividends to our shareholders.

To our shareholders, I encourage you to consider bringing more of your banking to your **Community Bank**® branch. Whatever the product or service please consider contacting the branch. We are keen to see all our shareholders support and remember half the earnings the bank generates off your business stays right here in Port Fairy, unlike the other financial institutions.

It is always interesting to compare stories and I invite you to look at some great success stories via this link: www.bendigobank.com.au/public/community/community-stories

Chairman's report (continued)

There are many fabulous community stories of how local **Community Bank**® branches have assisted their communities which have shown outstanding results and goals to which we can aspire!

One outstanding example is the town of Collie. This is a country town in southwest WA with a population of 8,000 about 200 km south of Perth. They invested in excess of $700,000 back into its community last year for a total of $4.2 million over nine years since inception the inception of Collie & Districts **Community Bank**® Branch.

We must note an event that will impact our business from 1 July 2016. This is the introduction of the Funds Transfer Pricing (FTP) model for **Community Bank**® Revenue Share. Bendigo Bank (BEN) will apply its new FTP methodology to regulatory reporting, performance management and revenue share.

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

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.

Subject to the size of the impact of the changes to a **Community Bank**® company's revenue share and a calculated baseline revenue, transitional support arrangements have been made by BEN for our company which if adversely affected by these changes will support us for a maximum period of up to three years. The purpose of this transitional support is to provide us with a revenue baseline while we further grow and diversify our business to increase revenue. This will ensure that at least in the short term any negative impact of FTP will be minimised.

Unfortunately, we saw the passing of Tracy Wilson in April of this year. He was our Bendigo Bank mentor and was instrumental in developing us from a Steering Committee seven years ago to Board level and then to see us open the branch two years ago. A great man who we all grew to love and respect.

As a Board we again acknowledge our team of staff at the branch who provide exceptional service to our valued customers.

Our aspirations for our community are achievable. But to reach that potential and achieve the results of other like companies we all need to be involved, and the ask is as simple.

Banking is a routine part of our lives. Why not bank with us, spread the word, encourage family and friends to come join in this unique **Community Bank**® model. We have earned our stripes, so all can now be confident we are the real deal. We will not fail and we are here to stay! So bring your business so we can support the bank the supports your community so we can continue to build a legacy that will endure.

Peter Langley
Chairman

Manager’s report

For year ending 30 June 2016

Port Fairy & District **Community Bank**® Branch has continued to build strongly during its second year of trading to deliver a sound result. Customer and community support enabled business holdings at the branch to increase by $15,345,000 as below.

	30 June 2015	30 June 2016
Deposits	$20,778,000	$28,514,000
Loans	$49,224,000	$60,466,000
Other	$ 8,808,000	$ 5,175,000
Total Business	**$78,810,000**	**$94,155,000**

The performance of the branch to deliver a $112,897 profit before income tax from its second year of operation is a strong indicator of the progress the **Community Bank**® model is making within the community. Belfast Community Enterprises Limited total equity increased by $76,710 and basic earnings per share by 8.97cents.

A 27% increase in customer numbers provided a good foundation for increasing revenue. The increases in deposits and lending were generated mainly through organic business growth. There was a consistent level of consumer lending activity throughout the period, which provided a stable revenue base. However, there is potential to generate an increase in the number of products per customer. This can provide for considerable improvement in revenue streams. The retention and growth of deposits exceeded expectations in a competitive environment. Attracting deposits into the branch at sustainable rates will be a challenge for the business.

Whilst revenue exceeded budget, expenses were in line with expectations. The budget for the current financial year has been prepared to deliver similar growth however improved performance across all the branch’s products and services will be a focus.

The budget growth for the 2016/2017 financial year is:

Deposit Growth	$5,000,000
Lending Growth	$7,600,000
Total Growth	$12,600,000

A pleasing influence on trading during the year was recognition from within the community that our **Community Bank**® branch is here for the long term and customers are considering us as an alternative. Engagement with our community remains a key to delivering on our point of difference and values. The commitment to upskilling our staff in a team environment and providing exceptional customer service will be the cornerstone to improving branch performance and benefitting the community.

On behalf of your staff I thank the Directors, shareholders and customers for their continuing support. What we do for community is all made possible by our customers.

Ashley King,
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

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:

Peter John Langley

Chairman

Occupation: Motelier

Peter is self employed and owns a motel and holiday rental business. He has had 35 years in the public service in Victoria, and has been past Treasurer of Port Fairy Golf Club for two years and is a founding member of Warrnambool Seahawks/Mermaids Basketball Inc. He has a private pilots licence and has coached representative basketball at both junior and senior levels.

Special responsibilities: Chair, Member of the Community, Marketing and Business Development and Finance and Risk Committees

Interest in shares: 20,001

Nicholas Richard Abbott

Deputy Chairman

Occupation: Retired

Nicholas is a retired medical practitioner, and worked in Hamilton for 20 years as a consultant Physician in a large multidisciplinary medical practice. He gained experience in managing staff and good governance and being involved in senior medical staff committees in the local 80 bed Base Hospital, as well as teaching junior staff. He is a member of Port Fairy Streetscape Committee, Port Fairy Mens Shed and Chairman of the Port Fairy Coastal Community Group.

Special responsibilities: Member of the Human Resources and Finance and Risk Committees

Interest in shares: 20,002 (jointly held)

Gabrielle Mary Batt

Secretary

Occupation: Accountant

Gabrielle is an associate accountant with Michael Beks & Associates. She is a director of Private Company Koolay Enterprises Pty Ltd which trades as Port Fairy Day Spa. She has coached netball in Hampden Football Netball League over 20 years & also Western Region Representative Netball.

Special responsibilities: Secretary

Interest in shares: 6,000

Anne Theresa Abbott

Treasurer

Occupation: Retired G.P

Tess has 40 years experience as a general practitioner, qualifying as a doctor from Birmingham University, UK 1972.She has 20 years of non-professional accounting experience for two small companies. Tess was a board member of The Hamilton and Alexandra College for 6 years, active with the College's Parents and Friends Committee and Treasurer for the Hamilton Riding for the Disabled.

Special responsibilities: Member of the Finance and Risk Committee

Interest in shares: 20,002 (jointly held)

Directors (continued)

Ralph David Leutton

Director

Occupation: Contract Facilitator/Lobbyist

CEO QLD Dairy Farmers Association, Program Manager (policy and advocacy) for Cotton Australia, President Moyne Health Services and Port Fairy Men's Shed. Currently Director for DemoDAIRY Terang and Director/Treasurer for Rural Skills Australia. Councillor for Moyne Shire Council.

Special responsibilities: Member of the Finance and Risk Committee

Interest in shares: 5,001

John Julian Rahilly

Director

Occupation: Accommodation Proprietor

John is a retired pharmacist of 40 years, and has board experience with Amcal Pharmaceutical Group. He is also past president, vice-president and captain of Port Fairy Golf Club.

Special responsibilities: Member of the Human Resources Committee

Interest in shares: 5,000

Nicole Louise Dwyer

Director

Occupation: Real Estate Agent

Nicole is a licensed real estate agent and local business manager in Port Fairy. She has TAFE qualifications in Marketing and has experience in Event Management. She is a member of Port Fairy Football Netball Club, past HFNL committee member. She was a Melbourne 2006 Commonwealth Games Volunteer, and has volunteered in many groups locally.

Special responsibilities: Member of the Community, Marketing and Business Development Committee

Interest in shares: 2,501

Margaret Donne Leutton

Director

Occupation: Small Project Manager

Margaret is currently co-ordinator Murray to Moyne Annual Cycle Day and other small commercial project contracts for various organisations. Member of the Port Fairy Business and Tourism Associations. Previously an event manager and coordinator for Agriculture Research & Development and project managed significant conference events around the Easter Seaboard.

Special responsibilities: Member of the Community, Marketing and Business Development Committee

Interest in shares: 5,001

Joanne Michelle Campbell

Director (Resigned 26 October 2015)

Occupation: Office Administrator

Joanne is a retired Primary School teacher holding a Diploma of Education. She now works part time in office administration and bookkeeping. Joanne is a member of the Port Fairy Community House committee of management.

Special responsibilities: Member of the Community, Marketing and Business Development Committee

Interest in shares: 1,001

Directors (continued)

Michael Peter Gunn

Director (Resigned 26 October 2015)

Occupation: Accountant

Michael had 25 years in public practice in the audit area and is a chartered accountant and member of the institute of company directors.

Special responsibilities: Member of the Finance and Risk Committee

Interest in shares: 500

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 Gabrielle Batt, who was appointed to the role on 27 October 2014. She has a Bachelor of Commerce degree and has worked as an accountant in public practice for the past 15 years.

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/(loss) of the company for the financial year after provision for income tax was:

Year ended 30 June 2016 $	Year ended 30 June 2015 $
76,710	(7,370)

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs

In the opinion of the directors there were no 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 except as disclosed in note 20 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended					
			Finance and Risk		Community, Marketing and Business Development		Human Resources	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Peter John Langley	8	8	-	-	3	3	3	2
Nicholas Richard Abbott	8	6	4	1	-	-	3	3
Gabrielle Mary Batt	8	6	-	-	-	-	-	-
Anne Theresa Abbott	8	7	4	4	-	-	-	-
Ralph David Leutton	8	7	4	4	-	-	-	-
John Julian Rahilly	8	3	-	-	-	-	3	3
Nicole Louise Dwyer	8	8	-	-	3	3	-	-
Margaret Donne Leutton	8	7	-	-	3	3	-	-
Joanne Michelle Campbell (Resigned 26 October 2015)	4	1	-	-	-	-	-	-
Michael Peter Gunn (Resigned 26 October 2015)	4	2	-	-	-	-	-	-

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

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

Auditor's independence declaration

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

Signed in accordance with a resolution of the board of directors at Port Fairy, Victoria on 15 September 2016.

Peter John Langley,
Chairman

Auditor's independence declaration

Partners in success

Chartered Accountants

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

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

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 15 September 2016

David Hutchings
Lead Auditor

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

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

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

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	632,915	502,982
Employee benefits expense		(297,313)	(278,672)
Charitable donations, sponsorship, advertising and promotion		(47,554)	(45,173)
Occupancy and associated costs		(42,513)	(44,502)
Systems costs		(33,523)	(33,368)
Depreciation and amortisation expense	5	(35,708)	(40,749)
General administration expenses		(63,407)	(63,197)
Profit/(loss) before income tax		**112,897**	**(2,679)**
Income tax expense	6	(36,187)	(4,691)
Profit/(loss) after income tax		**76,710**	**(7,370)**
Total comprehensive income for the year		**76,710**	**(7,370)**

Earnings per share for profit/(loss) attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	21	8.18	(0.79)

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2016

	Notes	2016 $	2015 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	617,779	522,273
Trade and other receivables	8	60,906	48,183
Total Current Assets		**678,685**	**570,456**
Non-Current Assets			
Property, plant and equipment	9	210,603	223,915
Intangible assets	10	92,937	86,167
Deferred tax asset	11	-	15,186
Total Non-Current Assets		**303,540**	**325,268**
Total Assets		**982,225**	**895,724**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	22,556	35,679
Provisions	13	9,826	6,508
Current tax liabilities	11	20,821	-
Total Current Liabilities		**53,203**	**42,187**
Non-Current Liabilities			
Provisions	13	1,644	3,049
Deferred tax liabilities	11	180	-
Total Non-Current Liabilities		**1,824**	**3,049**
Total Liabilities		**55,027**	**45,236**
Net Assets		**927,198**	**850,488**
Equity			
Issued capital	14	898,316	898,316
Retained earnings/(Accumulated losses)	15	28,882	(47,828)
Total Equity		**927,198**	**850,488**

The accompanying notes form part of these financial statements.

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	**825,298**	**(40,458)**	**784,840**
Total comprehensive income for the year	**-**	**(7,370)**	**(7,370)**
Transactions with owners in their capacity as owners:			
Shares issued during period	73,661	-	73,661
Costs of issuing shares	(643)	-	(643)
Dividends provided for or paid	-	-	-
Balance at 30 June 2015	**898,316**	**(47,828)**	**850,488**
Balance at 1 July 2015	**898,316**	**(47,828)**	**850,488**
Total comprehensive income for the year	**-**	**76,710**	**76,710**
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	**898,316**	**28,882**	**927,198**

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		643,511	464,172
Payments to suppliers and employees		(539,596)	(438,603)
Interest received		15,782	12,453
Net cash provided by operating activities	**16**	**119,697**	**38,022**
Cash flows from investing activities			
Payments for property, plant and equipment		(396)	(10,750)
Payments for intangible assets		(23,795)	-
Net cash used in investing activities		**(24,191)**	**(10,750)**
Cash flows from financing activities			
Proceeds from issues of shares		-	73,661
Payment for share issue costs		-	(643)
Net cash provided by financing activities		**-**	**73,018**
Net increase in cash held		**95,506**	**100,290**
Cash and cash equivalents at the beginning of the financial year		522,273	421,983
Cash and cash equivalents at the end of the financial year	**7(a)**	**617,779**	**522,273**

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.

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 Port Fairy, 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.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

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

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

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.

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.

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.

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).

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.

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

Note 1. Summary of significant accounting policies (continued)

g) Property, plant and equipment

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

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

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

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

Impairment

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

l) Leases

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

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

m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions of other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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.

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.

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 Profit or Loss and Other Comprehensive Income.

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

	2016 $	2015 $

Note 4. Revenue from ordinary activities

	2016 $	2015 $
Operating activities:		
- services commissions	618,311	490,529
Total revenue from operating activities	**618,311**	**490,529**
Non-operating activities:		
- interest received	14,604	12,453
Total revenue from non-operating activities	**14,604**	**12,453**
Total revenues from ordinary activities	**632,915**	**502,982**

Note 5. Expenses

	2016 $	2015 $
Depreciation of non-current assets:		
- plant and equipment	2,608	6,627
- leasehold improvements	11,100	12,122
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
- franchise renewal fee	20,000	20,000
	35,708	**40,749**
Bad debts	**75**	**28**

Note 6. Income tax expense

	2016 $	2015 $
The components of tax expense comprise:		
- Current tax	20,821	-
- Movement in deferred tax	559	(3,226)
- Adjustment to deferred tax to reflect change to tax rate in future periods	(7)	800
- Recoupment of prior year tax losses	14,814	7,117
	36,187	**4,691**
The prima facie tax on profit/(loss) from ordinary activities before income t ax is reconciled to the income tax expense as follows		
Operating profit/(loss)	112,897	(2,679)
Prima facie tax on profit/(loss) from ordinary activities at 28.5% (2015: 30%)	32,176	(803)

	2016 $	2015 $

Note 6. Income tax expense (continued)

	2016 $	2015 $
Add tax effect of:		
- non-deductible expenses	6,270	7,065
- timing difference expenses	(559)	3,226
- other deductible expenses	(2,252)	(2,371)
	35,635	**7,117**
Movement in deferred tax	559	(3,226)
Adjustment to deferred tax to reflect change of tax rate in future periods	(7)	800
	36,187	**4,691**

Note 7. Cash and cash equivalents

	2016 $	2015 $
Cash at bank and on hand	27,779	22,273
Term deposits	590,000	500,000
	617,779	**522,273**

Note 7.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	2016 $	2015 $
Cash at bank and on hand	27,779	22,273
Term deposits	590,000	500,000
	617,779	**522,273**

Note 8. Trade and other receivables

	2016 $	2015 $
Trade receivables	43,986	34,639
Prepayments	13,038	8,483
Other receivables and accruals	3,882	5,061
	60,906	**48,183**

Note 9. Property, plant and equipment

	2016 $	2015 $
Leasehold improvements		
At cost	213,795	213,795
Less accumulated depreciation	(23,223)	(12,122)
	190,572	**201,673**

	2016 $	2015 $
Note 9. Property, plant and equipment (continued)		
Plant and equipment		
At cost	29,266	28,869
Less accumulated depreciation	(9,235)	(6,627)
	20,031	**22,242**
Total written down amount	**210,603**	**223,915**
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	201,673	207,045
Additions	-	6,750
Disposals	-	-
Less: depreciation expense	(11,100)	(12,122)
Carrying amount at end	**190,573**	**201,673**
Plant and equipment		
Carrying amount at beginning	22,242	24,869
Additions	396	4,000
Disposals	-	-
Less: depreciation expense	(2,608)	(6,627)
Carrying amount at end	**20,030**	**22,242**
Total written down amount	**210,603**	**223,915**

Note 10. Intangible assets

	2016 $	2015 $
Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(4,167)	(2,167)
	5,833	**7,833**
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(41,666)	(21,666)
	58,334	**78,334**

	2016 $	2015 $
Note 10. Intangible assets (continued)		
Redomicile fee		
At cost	28,770	-
Less: accumulated impairment losses	-	-
	28,770	**-**
Total written down amount	**92,937**	**86,167**

Note 11. Tax

	2016 $	2015 $
Current:		
Income tax payable	**20,821**	**-**
Non-Current:		
Deferred tax assets		
- accruals	1,321	1,508
- employee provisions	3,154	2,724
- tax losses carried forward	-	14,814
	4,475	**19,046**
Deferred tax liability		
- accruals	1,068	1,442
- deductible prepayments	3,587	2,418
	4,655	**3,860**
Net deferred tax asset/(liability)	**(180)**	**15,186**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**15,366**	**4,691**

Note 12. Trade and other payables

	2016 $	2015 $
Current:		
Trade creditors	424	-
Other creditors and accruals	22,132	35,679
	22,556	**35,679**

	2016 $	2015 $

Note 13. Provisions

	2016 $	2015 $
Current:		
Provision for annual leave	**9,826**	**6,508**
Non-Current:		
Provision for long service leave	**1,644**	**3,049**

Note 14. Contributed equity

	2016 $	2015 $
937,667 ordinary shares fully paid (2015: 937,667)	937,667	937,667
Less: equity raising expenses	(39,351)	(39,351)
	898,316	**898,316**

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.

Note 14. Contributed equity (continued)

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 equal to 90% of the number of shareholders in the company immediately following the closure of the prospectus.

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

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

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

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

	2016 $	**2015 $**

Note 15. Retained earnings/(Accumulated losses)

Balance at the beginning of the financial year	(47,828)	(40,458)
Net profit/(loss) from ordinary activities after income tax	76,710	(7,370)
Balance at the end of the financial year	**28,882**	**(47,828)**

	2016 $	2015 $

Note 16. Statement of cash flows

Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by operating activities

	2016 $	2015 $
Profit/(loss) from ordinary activities after income tax	76,710	(7,370)
Non cash items:		
- depreciation	13,708	18,749
- amortisation	22,000	22,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(12,723)	(15,975)
- (increase)/decrease in other assets	15,186	4,691
- increase/(decrease) in payables	(18,098)	7,966
- increase/(decrease) in provisions	1,913	7,961
- increase(decrease) in tax liabilities	21,001	-
Net cash flows provided by operating activities	**119,697**	**38,022**

Note 17. Leases

Operating lease commitments

	2016 $	2015 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	36,050	35,000
- between 12 months and 5 years	72,100	105,000
- greater than 5 years	-	-
	108,150	**140,000**

The company has entered into a lease for the branch premises at 32 Bank Street, Port Fairy. The lease is non-cancellable lease with a five-year term, with the option of a further two five years terms. The commencement date of the lease was 24 June 2014. Rent on the premsies increases by CPI annualy. Rent is payable monthly in advance.

Note 18. Auditor’s remuneration

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

	2016 $	2015 $
- audit and review services	4,100	3,950
- other non audit services	1,540	1,250
	5,640	**5,200**

Note 19. Director and related party disclosures

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

Peter John Langley
Nicholas Richard Abbott
Gabrielle Mary Batt
Anne Theresa Abbott
Ralph David Leutton
John Julian Rahilly
Nicole Louise Dwyer
Margaret Donne Leutton
Joanne Michelle Campbell (Resigned 26 October 2015)
Michael Peter Gunn (Resigned 26 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.

	2016	2015
Directors' shareholdings		
Peter John Langley	20,001	20,001
Nicholas Richard Abbott #	20,002	20,002
Gabrielle Mary Batt	6,000	6,000
Anne Theresa Abbott #	20,002	20,002
Ralph David Leutton	5,001	5,001
John Julian Rahilly	5,000	5,000
Nicole Louise Dwyer	2,501	2,501
Margaret Donne Leutton	5,001	5,001
Joanne Michelle Campbell (Resigned 26 October 2015)	1,001	1,001
Michael Peter Gunn (Resigned 26 October 2015)	500	500

shares jointly held.

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 Port Fairy. 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 $180 for the year ended 30 June 2016 (2015: $nil).

Notes to the financial statements (continued)

	2016 $	2015 $
Note 21. Earnings per share		
(a) Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	76,710	(7,370)
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	937,667	934,293

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 Port Fairy, 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	**Principal Place of Business**
Shop 4	Shop 4
32a Bank Street	32a Bank Street
Port Fairy VIC 3284	Port Fairy VIC 3284

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.

	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 %**	**2015 %**
Financial assets												
Cash and cash equivalents	27,779	22,273	590,000	500,000	-	-	-	-	-	-	2.58	2.51
Receivables	-	-	-	-	-	-	-	-	43,986	34,639	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	424	-	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:

	2016 $	2015 $

Note 26. Financial instruments (continued)

Sensitivity Analysis (continued)

	2016 $	2015 $
Change in profit/(loss)		
Increase in interest rate by 1%	6,178	5,223
Decrease in interest rate by 1%	6,178	5,223
Change in equity		
Increase in interest rate by 1%	6,178	5,223
Decrease in interest rate by 1%	6,178	5,223

Directors' declaration

In accordance with a resolution of the directors of Belfast Community Enterprises 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.

Peter John Langley,
Chairman

Signed on the 15th of September 2016.

Partners in success

Chartered Accountants

Independent auditor's report to the members of Belfast Community Enterprises Limited

Report on the financial report

We have audited the accompanying financial report of Belfast Community Enterprises 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.

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

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

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 Belfast Community Enterprises 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: 15 September 2016

David Hutchings
Lead Auditor

Port Fairy & District **Community Bank**® Branch
Shop 4, 32A Bank Street, Port Fairy VIC 3284
Phone: (03) 5568 1200 Fax: (03) 5568 1500

Franchisee: Belfast Community Enterprises Limited
Shop 4, 32A Bank Street, Port Fairy VIC 3284
Phone: (03) 5568 1200 Fax: (03) 5568 1500
ABN: 65 161 382 832

www.bendigobank.com.au/portfairy
(BNPAR16099) (08/16)

Bendigo Bank
Bigger than a bank.

bendigobank.com.au