



Annual Report 2015

Broadwater Financial
Services Limited

ABN 29 095 850 463

Biggera Waters **Community Bank®** Branch
& Helensvale branch

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Chairman's report

For year ending 30 June 2015

The 2014/15 financial year has seen steady growth for our company, increasing the overall footings by \$14 million to finish the year on \$105 million.

Despite the continuation of low banking margins and staff changes with both Biggera Waters **Community Bank**[®] Branch and Helensvale branch. The company has continued to invest in the local community and our spend during the last 12 months was in excess of \$40,000 in the Biggera Waters, Labrador, Runaway Bay, Arundel, Pacific Pines, Studio Village and Helensvale communities and was less than the Market Development Funds that we received from the Bendigo Bank during the year.

The funds were spent across a variety of areas including hosting a community forum in Helensvale, sponsorships of local schools, sporting clubs and community not for profit businesses and included advertising, marketing and promotion of our branches in the local areas.

One very exciting outcome from the Community Forum has been our sponsorship, in conjunction with the Gold Coast City Council, of 'The Helensvale Community App' which provides locals and visitors a guide to local businesses, sports clubs, restaurants etc. It will give us the opportunity to engage with many more local businesses in the Helensvale area.

In the first half of 2016 we are planning to partner with the three other **Community Bank**[®] companies on the Gold Coast, along with Bendigo and Adelaide Bank to market the Bendigo Bank across the entire Gold Coast region with the prime purpose of informing the general public that we are a full service bank and provide all the services that our opposition provide.

The financial results for the company reflect another tough year for the company which recorded a net loss after income tax benefit of \$72,646, marginally more than last year. The Board have taken steps to restructure our finances which should adequately cover our future financial needs based on current conditions.

The Helensvale branch was also affected earlier in 2015 by an attempted armed robbery in which we were very fortunate that no staff or customers were injured.

On an exciting note, we have negotiated with Bendigo and Adelaide Bank to convert the Helensvale branch to a franchised **Community Bank**[®] branch from November 2015. As part of this process we have recently appointed a Manager for the Helensvale branch and Aaron Kidney will commence in October 2015.

The company will then have a Manager for each branch which will allow them to focus on the respective areas more. The Board is confident that the coming year will see both branches increase their footings and return the company to profit in the short term.

The Board of Directors continue to focus on building the business of Broadwater Financial Services Limited and return it to profit and return dividends to shareholders. However with the effect of the "margin squeeze" referred to in last year's report and which has continued this year, we do not expect the company to record a profit in the coming 12 months. Therefore the company is unable to pay a dividend again this year, however the Directors are confident that dividends will again begin to flow to shareholders in the next two years. As reported last year, the Bendigo and Adelaide Bank have undertaken a major review of the **Community Bank**[®] model referred to as 'Project Horizon' and the recommendations from that review are being implemented in the next 18 months.

The Board of Directors has had another steady year with only one Director, Teresa Council, resigning from the Board for business and family reasons. We thank Teresa for her commitment to the company and the community for the two and a half years on the Board and wish her well in the future. During the year two of our Directors, Steve O'Donoghue and Kerry Brammer, were blessed with the arrival of baby girls and we all wish them and their new family member's health and happiness in the future.

Chairman's report (continued)

The Board would again like to thank our personal assistant to the Board, Mrs Maris Dirkx, for another great effort supporting the Board particularly in the marketing of our company and organisation of events. In March 2016 our company will be hosting the Bendigo Bank **Community Bank**[®] State Conference at Sea World Convention facility. It should be a great few days where we can showcase our company and the benefits that our communities have received over the nearly 15 years since our inception.

Finally, as a Board, we wish to thank all our customers, community organisations and local business owners for their support during the year and in addition we would also like to acknowledge the support and assistance from senior management of the Bendigo and Adelaide Bank during the year. In closing, I again thank all shareholders for their continued support and look forward to a great future for the company.



Robert J Knight
Chairman

Manager's report

For year ending 30 June 2015

Now that the 2014/15 financial year has come to a close, it gives us time to reflect. We look back at the challenges we faced and the hurdles we conquered but more importantly we look to the future and the opportunities we see that will help us to succeed. Our year as a whole was different to previous years, whilst some matters were unavoidable, the most part of the year was a very successful year from a banking point of view.

We continue to be a major contributor in our respective communities and we are beginning to be the center of the community. We have developed a great partnership with Councilor William Owen-Jones and we thank him and Kerry Kable for their ongoing support and time they have given us to make our dreams for our community a reality. It is partnerships like this one, the Runaway Bay Cricket Club and Helensvale Hornets Rugby League Club that continue to drive our business and be a major part to the successes of our branches.

Robert Knight touched on some staffing issues that we encountered throughout the year in his Chairman's report and to elaborate further, the reasons for the high movement were due to changes in working industry, branch transfers and also staff moving interstate. This increased the team's workload and made it extremely difficult to keep up with the day to day workload of our two branches. But we continued to work hard knowing there was a job to be done. With this being said I am pleased to report that with these challenges our business was not affected and we were able to exceed business growth targets and finish 133% of budget. To drill down on these results would show Biggera Waters **Community Bank**[®] Branch with total growth of \$2.94 million and Helensvale branch \$11.48 million with a total of \$105 million for our company.

It has been noted that Helensvale will now operate under the supervision of newly appointed Branch Manager Aaron Kidney. This is a major milestone and one that brings me great pleasure. Aaron has been with Bendigo Bank for over four years working in both retail and business banking. Aaron is a great addition to our company and I wish him all the best in his new role. Along with this appointment I would like to advise that Caren Hilton has been promoted to Senior Customer Service Officer at Helensvale branch as direct support to Aaron and we also welcome back Megan Shields as Customer Relationship Officer at Biggera Waters **Community Bank**[®] Branch. Both ladies have been fantastic in their new roles and I have no doubt will continue to grow and contribute to the future success for our company.

Thank you to my staff, our shareholders, customers and Board of Directors for your continued support, you have all contributed to the success of our communities, and a special mention to Maris Dirkx, the Board Assistant who has been a tremendous support throughout my time with this company and in particular the past 12 months.



Mark Vigus
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2015

In the 2015 financial year, the **Community Bank**[®] network opened its 310th branch and community contributions since the model's inception exceed \$130 million. Both of these achievements could not have been achieved without your ongoing support as a shareholder, customer and advocate of what is a truly unique way of banking for the benefit of your local community.

Local communities continue to embrace the **Community Bank**[®] model, a banking movement founded on the simple belief that successful customers and successful communities create a successful bank.

Seventeen years later communities are still approaching us and the model is as robust and relevant as ever, however a review of what we were doing, why and how we could do it better was timely.

During an 18 month period the Bank, in partnership with the **Community Bank**[®] network, undertook a comprehensive review of the **Community Bank**[®] model. Project Horizon was the largest single engagement process ever undertaken by our organisation.

As a result, a focus for the next 18 months will be the implementation of 64 recommendations. What was overwhelmingly obvious is that our **Community Bank**[®] network, and our Bank, care deeply about what has been developed and in what the future holds for the network.

In the early days of **Community Bank**[®] development, the **Community Bank**[®] model was seen as a way to restore branch banking services to rural towns, regional cities and metropolitan suburbs after the last of the banks closed their doors.

Today, although the focus is still about providing banking services, there is perhaps an even greater interest in the way in which the model creates a successful community enterprise used to effectively, and sustainably, build community capacity.

In October 2014, we welcomed **Community Bank**[®] branches in Bacchus Marsh, Kilmore, Maffra, Kwinana and Nubeena. All of these branches join a strong and mature banking network where valued partnerships enhance banking services, taking the profits their banking business generates and reinvesting that funding into initiatives to ultimately strengthen their community.

Following consultation with local residents and business owners responding to other banks reducing their branch presence, Aldinga Beach **Community Bank**[®] Branch opened the Willunga Customer Service Centre in April 2015, providing a full banking service to local people five days a week.

The **Community Bank**[®] model is a great example of shared value and was centre stage at an international Shared Value conference in the United States earlier this year.

Funding generated by **Community Bank**[®] branches support projects that make a difference to a community. But no matter how big or small the place people call home, the **Community Bank**[®] network recognises that when they act as one, powered by the good that money can bring, bigger things can happen for local towns, regions and states.

In WA, a \$125,000 commitment to Ronald McDonald House by Collie & Districts **Community Bank**[®] Branch resulted in a further \$125,000 from 21 branches (both community and company owned) in the state.

In QLD, Longreach farming families are now feeding their stock thanks to a dedicated Rotary Club and financial contributions from 16 **Community Bank**[®] (and company) branches.

Across regional and rural NSW, young people are today better drivers thanks to a driver education program supported by **Community Bank**[®] branches and across Australia, 58 young people headed off to their first year of university with the help of a **Community Bank**[®] scholarship.

Bendigo and Adelaide Bank report (continued)

Interest in the **Community Bank**[®] model remains strong, with 20 **Community Bank**[®] sites currently in development and a further six **Community Bank**[®] branches expected to open nationally during the next 12 months.

The network's steady expansion demonstrates the strength and relevance of a banking model where the desire to support the financial needs of customers is equalled by the desire to support the community with the good that money can bring.

By the end of the financial year 2014/15 the **Community Bank**[®] network achieved the following:

- Returns to community – over \$130 million since the model's inception
- **Community Bank**[®] branches – 310
- **Community Bank**[®] branch staff – more than 1,500
- **Community Bank**[®] company Directors – 1,946
- Banking business – \$28.79 billion
- Customers – 699,000
- Shareholders – 74,393
- Dividends paid to shareholders since inception – \$38.6 million

The communities we partner with also have access to the Bank's extensive range of other community building solutions including Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco[®] Australia (telecommunications solution), tertiary education scholarships and community enterprises that provide **Community Bank**[®] companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank**[®] company has a committed and strong partner and over the last financial year our company has continued its solid performance. Our Bank continues to be rated at least "A-" by Standard & Poor's, Moody's and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

Our **Community Bank**[®] partners played an integral role in the Bank's involvement in the Financial Systems Inquiry, lobbying their local Federal Government representatives and calling for a level playing field.

Recent APRA announcements regarding changes to risk weights on mortgages will positively impact our Bank – providing customers with a level playing field by giving them more choice from a wider variety of financial providers.

Thanks to the efforts of our people, our peers and **Community Bank**[®] partners, we're starting to see the benefits. In continuing to take a collaborative approach, we act as one network driving positive outcomes for all Australians.

As **Community Bank**[®] company shareholders you are part of a unique banking movement.

The model offers an alternative way to think about banking and the role banks play in modern society, and because of your support there really is no limit to what can be achieved for local people and the communities in which you live.

Thank you for your ongoing support of your local **Community Bank**[®] branch.



Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2015

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

Directors

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

Robert John Knight

Chairman

Occupation: Business Consultant

Qualifications, experience and expertise: Bachelor of Commerce, former Chartered Accountant, Financial Controller and Public Company Secretary.

Special responsibilities: Executive Management Committee

Interest in shares: Nil

Trevor Newton Jones

Deputy Chairman

Occupation: Licensed Real Estate Agent

Qualifications, experience and expertise: Former Real Estate Sales Manager, Finance Broker and Business Owner.

Special responsibilities: Executive Management Committee

Interest in shares: Nil

Leeanne Kay Braund

Secretary

Occupation: Business Development Manager

Qualifications, experience and expertise: Former Consultant to Queensland Health and owner of Mortgage Broking Business. Currently Secretary of the Discovery Park Tennis Club in Helensvale.

Special responsibilities: Executive Management Committee, Community Engagement Committee

Interest in shares: Nil

Stephen Michael O'Donoghue

Director

Occupation: Pharmacist

Qualifications, experience and expertise: Local Pharmacist.

Special responsibilities: Nil

Interest in shares: 40,000

Micheal Douglas McCarthy

Director

Occupation: Sales Consultant

Qualifications, experience and expertise: Former Insurance Manager for Woolworths NSW for 19 years and Real Estate Sales Consultant.

Special responsibilities: Nil

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Kerry Jane Brammer

Director (Appointed 30 July 2014)

Occupation: Accountant

Qualifications, experience and expertise: Bachelor of Commerce, former General Manager of SME, current Financial Controller.

Special responsibilities: Executive Management Committee

Interest in shares: Nil

Teresa Kaye Counsel

Director (Resigned 29 December 2014)

Occupation: Consultant

Qualifications, experience and expertise: Business Development Executive on the Gold Coast for many years and Director/Founder of Senorita's Cocktails.

Special responsibilities: Community Engagement Committee

Interest in shares: Nil

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

No directors have material interests in contracts or proposed contracts with the company.

Company Secretary

The company secretary is Leeanne Braund. Leeanne was appointed to the position of secretary on 26 April 2013.

Holds a Certificate IV in Finance and Mortgages. She has held numerous executive roles for Touch Football Committees and currently the Secretary of the Discovery Park Tennis Club in Helensvale. Leeanne is employed as a Business Development Manager.

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank**[®] services under management rights to operate franchised branches 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 loss of the company for the financial year after provision for income tax was:

Year ended 30 June 2015 \$	Year ended 30 June 2014 \$
(72,646)	(54,143)

Directors' report (continued)

Operating results (continued)

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Robert John Knight	-	-	-
Trevor Newton Jones	-	-	-
Leeanne Kay Braund	-	-	-
Stephen Michael O'Donoghue	40,000	-	40,000
Micheal Douglas McCarthy	-	-	-
Kerry Jane Brammer (Appointed 30 July 2014)	-	-	-
Teresa Kaye Counsel (Resigned 29 December 2014)	-	-	-

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.

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' report (continued)

Directors' meetings

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

	Board Meetings Attended	
	Eligible	Attended
Robert John Knight	10	9
Trevor Newton Jones	10	10
Leeanne Kay Braund	10	10
Stephen Michael O'Donoghue	10	5
Micheal Douglas McCarthy	10	7
Kerry Jane Brammer (Appointed 30 July 2014)	9	5
Teresa Kaye Counsel (Resigned 29 December 2014)	4	1

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

- all non-audit services have been reviewed 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.

Directors' report (continued)

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 12.

Signed in accordance with a resolution of the board of directors at Biggera Water, Queensland on 17 September 2015.



**Robert John Knight,
Chairman**

Auditor's independence declaration



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Broadwater Financial Services Limited

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

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

David Hutchings
Lead Auditor

Dated: 17 September 2015

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

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Financial statements

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

	Notes	2015 \$	2014 \$
Revenue from ordinary activities	4	810,264	780,218
Employee benefits expense		(517,663)	(489,150)
Charitable donations, sponsorship, advertising and promotion		(40,196)	(34,041)
Occupancy and associated costs		(140,515)	(126,759)
Systems costs		(38,231)	(37,756)
Depreciation and amortisation expense	5	(25,996)	(31,406)
Finance costs	5	(20,512)	(22,154)
General administration expenses		(122,692)	(115,228)
Loss before income tax		(95,541)	(76,276)
Income tax credit	6	22,895	22,133
Loss after income tax		(72,646)	(54,143)
Total comprehensive income for the year		(72,646)	(54,143)
Earnings per share for loss attributable to the ordinary shareholders of the company:			
		¢	¢
Basic earnings per share	21	(12.3)	(9.15)

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2015

	Notes	2015 \$	2014 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	12,414	10,908
Trade and other receivables	8	42,602	45,687
Total Current Assets		55,016	56,595
Non-Current Assets			
Property, plant and equipment	9	236,918	252,913
Intangible assets	10	13,334	23,333
Deferred tax asset	11	113,958	91,064
Total Non-Current Assets		364,210	367,310
Total Assets		419,226	423,905
LIABILITIES			
Current Liabilities			
Trade and other payables	12	20,720	19,870
Borrowings	13	217,445	118,518
Provisions	14	9,197	11,721
Total Current Liabilities		247,362	150,109
Non-Current Liabilities			
Borrowings	13	138,482	167,886
Provisions	14	5,403	5,285
Total Non-Current Liabilities		143,885	173,171
Total Liabilities		391,247	323,280
Net Assets		27,979	100,625
Equity			
Issued capital	15	406,858	406,858
Accumulated losses	16	(378,879)	(306,233)
Total Equity		27,979	100,625

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2013	406,858	(252,090)	154,768
Total comprehensive income for the year	-	(54,143)	(54,143)
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 2014	406,858	(306,233)	100,625
Balance at 1 July 2014	406,858	(306,233)	100,625
Total comprehensive income for the year	-	(72,646)	(72,646)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2015	406,858	(378,879)	27,979

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
Cash flows from operating activities			
Receipts from customers		892,558	837,422
Payments to suppliers and employees		(940,162)	(848,545)
Interest received		99	177
Interest paid		(20,512)	(22,154)
Net cash provided by/(used in) operating activities	17	(68,017)	(33,100)
Cash flows from investing activities			
Payments for property, plant and equipment		-	(1,036)
Net cash provided by/(used in) investing activities		-	(1,036)
Cash flows from financing activities			
Repayment of borrowings		(29,404)	(27,140)
Net cash provided by/(used in) financing activities		(29,404)	(27,140)
Net increase/(decrease) in cash held		(97,421)	(61,276)
Cash and cash equivalents at the beginning of the financial year		(71,094)	(9,818)
Cash and cash equivalents at the end of the financial year	7(a)	(168,515)	(71,094)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2015

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

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

Economic dependency - Bendigo and Adelaide Bank Limited

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

The branches operate 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**[®] 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.

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

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

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

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

Going concern

The net assets of the company as at 30 June were \$27,979 and the loss made for the year was \$72,646, bringing accumulated losses to \$378,879.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Going concern (continued)

In addition:	\$
Total assets were	419,226
Total liabilities were	391,247
Operating cash flows were	(97,421)

There was a 34% increase in the loss recorded for the financial year ended 30 June when compared to the prior year.

The company meets its day to day working capital requirements through an overdraft facility. The overdraft has an approved limit of \$200,000 and was drawn to \$180,929 as at 30 June 2015. Broadwater is currently in the process of extending the overdraft limit to \$225,000. The company also has two bank loans totalling \$174,998.

An interest free period of two years has expired. As a result \$20,512 of interest expense was incurred during the 2015 financial year.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 7 to 11. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

The current economic environment is difficult and while revenue continues to increase the company has again reported an operating loss for the year. The directors consider that the outlook presents significant challenges in terms of banking business volume and pricing as well as for operating costs. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company will be required to increase the level of its overdraft facility to continue to meet its current obligations through to breakeven.

The company has held discussions with Bendigo and Adelaide Bank Limited about its future borrowing needs. It is likely that these discussions will not be completed for some time but no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms. The company has also obtained an undertaking of support from Bendigo and Adelaide Bank Limited that it will continue to support the company and its operations for the 2015/16 financial year. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

The directors have concluded that the combination of the circumstances above represents a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue

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

Revenue calculation

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

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

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Margin (continued)

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

Commission

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

Fee income

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

Ability to change financial return

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

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

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

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

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

Monitoring and changing financial return

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Monitoring and changing financial return (continued)

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

d) Employee entitlements

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

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

e) Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

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

h) Intangibles

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

l) Leases

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

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

m) Provisions

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

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Notes to the financial statements (continued)

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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

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

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

	2015 \$	2014 \$
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Note 4. Revenue from ordinary activities

Operating activities:

- services commissions	807,665	780,123
- other revenue	2,500	-
Total revenue from operating activities	810,165	780,123

Non-operating activities:

- interest received	99	95
Total revenues from ordinary activities	810,264	780,218

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	3,118	5,551
- leasehold improvements	12,878	13,355

Amortisation of non-current assets:

- franchise agreement	2,000	2,000
- franchise renewal fee	8,000	8,000
- establishment fee	-	2,500
	25,996	31,406

Notes to the financial statements (continued)

	Note	2015 \$	2014 \$
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Note 5. Expenses (continued)

Finance costs:

- interest paid		20,512	22,154
Bad debts		1,229	694

Note 6. Income tax credit

The components of tax credit comprise:

- Future income tax benefit attributable to losses		(28,757)	(19,968)
- Movement in deferred tax		(136)	(2,165)
- Adjustment to deferred tax to reflect change to tax rate in future periods		5,998	-
		(22,895)	(22,133)

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

Operating loss		(95,541)	(76,276)
Prima facie tax on loss from ordinary activities at 30%		(28,893)	(22,882)
Add tax effect of:			
- non-deductible expenses		136	750
- timing difference expenses		-	2,164
		(28,757)	(19,968)
Movement in deferred tax		(136)	(2,165)
Adjustment to deferred tax to reflect change of tax rate in future periods		5,998	-
		(22,895)	(22,133)

Note 7. Cash and cash equivalents

Cash at bank and on hand		12,414	10,908
		12,414	10,908

Note 7.(a) Reconciliation to cash flow statement

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

Cash at bank and on hand		12,414	10,908
Bank overdraft	13	(180,929)	(82,002)
		(168,515)	(71,094)

Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 8. Trade and other receivables		
Trade receivables	38,402	40,985
Prepayments	4,200	4,702
	42,602	45,687

Note 9. Property, plant and equipment

Leasehold improvements		
At cost	284,010	284,010
Less accumulated depreciation	(68,174)	(55,296)
	215,836	228,714
Plant and equipment		
At cost	47,186	47,186
Less accumulated depreciation	(26,104)	(22,987)
	21,082	24,199
Total written down amount	236,918	252,913
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	228,714	242,069
Disposals	-	-
Less: depreciation expense	(12,878)	(13,355)
Carrying amount at end	215,836	228,714
Plant and equipment		
Carrying amount at beginning	24,199	28,713
Additions	-	1,036
Less: depreciation expense	(3,117)	(5,550)
Carrying amount at end	21,082	24,199
Total written down amount	236,918	252,913

Note 10. Intangible assets

Franchise fee		
At cost	70,000	70,000
Less: accumulated amortisation	(67,333)	(65,333)
	2,667	4,667

Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 10. Intangible assets (continued)		
Establishment fee		
At cost	20,000	20,000
Less: accumulated amortisation	(20,000)	(20,000)
	-	-
Renewal processing fee		
At cost	40,000	40,000
Less: accumulated amortisation	(29,333)	(21,334)
	10,667	18,666
Other intangible assets		
At cost	61,800	61,800
Less: accumulated amortisation	(61,800)	(61,800)
	-	-
Total written down amount	13,334	23,333

Note 11. Tax

Deferred tax assets		
- accruals	698	108
- employee provisions	4,380	5,102
- tax losses carried forward	108,880	85,854
	113,958	91,064
Net deferred tax asset	113,958	91,064
Movement in deferred tax charged to statement of comprehensive income	(22,894)	(22,133)

Note 12. Trade and other payables

Trade creditors	8,808	8,052
Other creditors and accruals	11,912	11,818
	20,720	19,870

Notes to the financial statements (continued)

	2015 \$	2014 \$
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Note 13. Borrowings

Current:

Bank overdrafts	180,929	82,002
Bank loans	36,516	36,516
	217,445	118,518

Non-Current:

Bank loans	138,482	167,886
	138,482	167,886

The approved overdraft limit is \$200,000. Interest is charged at a rate of 4.225% (2014: 8.26%) commencing 1 February 2013. The debt is secured by a fixed and floating charge over the company's assets and is subject to quarterly reviews by Bendigo Bank.

Bank loans are repayable monthly. Interest is recognised at an average rate of 7.30% (2014: 8.32%). The loans are secured by a fixed and floating charge over the company's assets.

	2015 \$	2014 \$
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Note 14. Provisions

Current:

Provision for annual leave	9,197	11,721
	9,197	11,721

Non-Current:

Provision for long service leave	5,403	5,285
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Note 15. Contributed equity

592,038 ordinary shares fully paid (2014: 592,038)	444,025	444,025
Less: equity raising expenses	(37,167)	(37,167)
	406,858	406,858

Notes to the financial statements (continued)

Note 15. Contributed equity (continued)

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- 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 250. As at the date of this report, the company had 295 shareholders.

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

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

Notes to the financial statements (continued)

Note 15. Contributed equity (continued)

Prohibited shareholding interest (continued)

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

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

	2015 \$	2014 \$
Note 16. Accumulated losses		
Balance at the beginning of the financial year	(306,233)	(252,090)
Net loss from ordinary activities after income tax	(72,646)	(54,143)
Balance at the end of the financial year	(378,879)	(306,233)

Note 17. Statement of cash flows

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

Loss from ordinary activities after income tax	(72,646)	(54,143)
Non cash items:		
- depreciation	15,996	18,906
- amortisation	10,000	12,500
Changes in assets and liabilities:		
- (increase)/decrease in receivables	3,085	339
- (increase)/decrease in other assets	(22,895)	(22,133)
- increase/(decrease) in payables	849	4,726
- increase/(decrease) in provisions	(2,406)	6,705
Net cash flows used in operating activities	(68,017)	(33,100)

Notes to the financial statements (continued)

	2015 \$	2014 \$
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Note 18. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised
in the financial statements

Payable - minimum lease payments:

- not later than 12 months	87,784	82,267
- between 12 months and 5 years	241,668	84,679
- greater than 5 years	7,946	-
	337,398	166,946

The Biggera Waters and Helensvale Branch lease's are non-cancellable lease's with five-year terms, with rent payable monthly in advance.

Note 19. Auditor's remuneration

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

- audit and review services	3,950	3,850
- share registry services	1,750	1,500
- non audit services	2,200	2,260
	7,900	7,610

Note 20. Director and related party disclosures

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

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

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

Note 21. Earnings per share

		2015 \$	2014 \$
(a)	Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(72,646)	(54,143)
		Number	Number
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	592,038	592,038

Notes to the financial statements (continued)

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 Biggera Waters and Helensvale, Queensland 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
33 Hollywell Road Biggera Waters QLD 4216	33 Hollywell Road Biggera Waters QLD 4216

Note 26. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 %	2014 %
Financial assets												
Cash and cash equivalents	12,014	10,508	-	-	-	-	-	-	400	400	Nil	1.2
Receivables	-	-	-	-	-	-	-	-	38,402	40,985	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	217,445	118,518	38,482	67,886	100,000	100,000	-	-	9.21	8.32
Payables	-	-	-	-	-	-	-	-	8,808	8,052	N/A	N/A

Notes to the financial statements (continued)

Note 26. Financial instruments (continued)

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2015 \$	2014 \$
Change in profit/(loss)		
Increase in interest rate by 1%	(3,439)	(2,759)
Decrease in interest rate by 1%	(3,439)	(2,759)
Change in equity		
Increase in interest rate by 1%	(3,439)	(2,759)
Decrease in interest rate by 1%	(3,439)	(2,759)

Directors' declaration

In accordance with a resolution of the directors of Broadwater Financial Services Limited, we state that:

In the opinion of the directors:

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

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



Robert John Knight,
Chairman

Signed on the 17th of September 2015.

Independent audit report



Independent auditor's report to the members of Broadwater Financial Services Limited

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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

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Independent audit report (continued)

Independence

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

Auditor's opinion on the financial report

In our opinion:

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

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss after tax of \$72,646 during the year ended 30 June 2015, further reducing the company's net assets to \$27,979. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

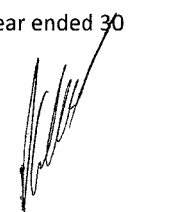
We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is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

Auditor's opinion on the remuneration report

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



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550



David Hutchings
Lead Auditor

Dated: 17 September 2015

Biggera Waters **Community Bank®** Branch
Metro Market Shopping Centre,
33 Hollywell Road, Biggera Waters QLD 4216
Phone: (07) 5537 6725 Fax: (07) 07 5563 8366

Helensvale branch
Helensvale Plaza Shopping Centre,
12 Sir John Overall Drive, Helensvale QLD 4212
Phone: (07) 5580 3966 Fax: (07) 5580 6622

Franchisee: Broadwater Financial Services Limited
Metro Market Shopping Centre,
33 Hollywell Road, Biggera Waters QLD 4216
Phone: (07) 5537 6725 Fax: (07) 07 5563 8366
ABN: 29 095 850 463

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