Annual Report 2016

Broadwater Financial Services Limited

ABN 29 095 850 463

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

Contents

Chairman's report

For year ending 30 June 2016

The 2015/16 financial year has seen steady growth for our company, increasing the overall footings by over $9.8 million to finish the year on $121.1 million.

Although this positive result is very pleasing for our company, the continual low banking margins and other financial climate conditions, has made it difficult to return the company back into profit. On a pleasing note the actual loss for the 2015/16 financial year of $21,945 is much lower than the budgeted loss of $46,012. As indicated in the 2015 Annual Report, we will not be in a position to return a dividend to our shareholders this year however the positive results for 2016 indicates that the aim towards profitability is becoming achievable and within reach in the immediate short term, if the business continues with the same positive trend.

In March 2016, we were selected to host the 2016 Queensland **Community Bank**® State Conference which was held at the Seaworld Conference Centre. The conference was a resounding success which not only helped boost the local economy with the attendance of over 200 delegates and their partners, but it also allowed us to showcase our business and local area, and fundraise for a not for profit organisation of our choice. As conference hosts, we selected the Seaworld Research and Rescue Foundation as our chosen recipient and we are pleased to advise that over $10,000 was raised for the foundation over the 1.5 days of the conference which was supported by many **Community Bank**® branches in Queensland. The funds that were raised will assist with protecting our marine life in our local waters.

The company continues to support our local community groups with sponsorship and volunteering roles. We are fortunate that Bendigo and Adelaide Bank provide a Market Development Fund which assists with our contributions and the support of these groups. We have actively sought opportunities that will provide exposure for the branches to help with business growth. Some of the funds received from the Market Development Fund have been allocated to a collaborative marketing fund for the Gold Coast region. This enables the Gold Coast branches to collectively consider major advertising and marketing opportunities which would not have been feasible for an individual branch. In 2016/17 all Gold Coast branches will contribute to the fund and have representation on the Gold Coast committee.

Our branches have established a high level of experienced staff which allows the Branch Managers to actively grow the business by seeking opportunities and getting out into the community. This business activity is imperative to the business due to the continual increased competition in the market place. Our Branch Managers and staff have assisted greatly to the growth of the business as well as supporting our community involvement initiatives and I thank them for their ongoing dedication and support.

The Board of Directors remains unchanged from the previous year with all current Directors bringing various skills and expertise to the Board. Our volunteer Directors are dedicated to working towards a positive financial result for the company and the shareholders. Many personal hours are dedicated to attending Board meetings, committee meetings, Director workshops, business development events, conferences and providing community partner support. I would like to take the opportunity to acknowledge the immense work our volunteer Directors provide to the company and I thank them for their continual support. The Board again thanks our personal assistant, Mrs Maris Dirkx, for her outstanding efforts in secretarial support, marketing stategies, assistance in organising company events and liaison with our community partners.

I encourage you to consider the bank for your future banking needs from the range of products and services that are available to our customers. The more banking business we have, the quicker we can return the company to a profit which will then provide dividends to our shareholders. Our friendly and experienced staff are available to discuss any of your financial needs and our Branch Managers are readily available at the branch or by phone.

Chairman's report (continued)

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 Knight
Chairman

Biggera Waters Manager's report

For year ending 30 June 2016

The 2015/16 financial year will be seen as the year where our branches were able to operate self- sufficiently. The appointment of a full-time Manager to our Helensvale **Community Bank**® Branch was a positive step which helps to put in place the foundations to grow both of our businesses and become more proactive in our dealings rather than reactive.

I will be reporting on the Biggera Waters **Community Bank**® Branch in which I am fully responsible for now. It has been a highly successful year both from a business and a staffing point of view. Various new staff appointments to the branch has provided stability and experience in our staff which has been reflected in our results.

We continue to be a major contributor in our community and we have developed long lasting relationships with many not for profit organisations. These partnerships are extremely important to our business as not only does it provide excellent exposure and goodwill in our local area but it also offers the opportunity to actively network and promote within these organisations. These areas continue to be a major driver in our business growth as we continue to assess all sponsorships/grants from not only a good will point of view but also the direct business impact the relationship will have on the business.

Looking to the figures for the financial year, I am very pleased to report a solid growth result for the Biggera Waters **Community Bank**® Branch. We saw our lending grow by $4.6 million and our deposits by $3 million with our total business growth for the financial year finishing at $7.6 million which was well ahead of budgeted growth at the start of the year.

During the year we welcomed three new experienced staff members in customer service roles. Linda Calder from the Southport branch, Bri Gilbert from Upper Coomera and Jenny Morgan also from the Upper Coomera branch. All three appointments have at least six years' experience with Bendigo Bank and have all been positive additions to our team, which has reflected in our business growth and financial year results. I expect with the continual support from our staff, customers and shareholders, the business will continue to flourish in 2016/17 which will result in further support for our community.

I would like to take the opportunity to thank the staff, our shareholders, customers and board of directors for your continued support; you have all contributed to the success of our communities.

Mark Vigus
Branch Manager

Helensvale Manager's report

For year ending 30 June 2016

Firstly, I would like to take the opportunity to thank all stakeholders in Helensvale **Community Bank**® Branch for welcoming me as the new **Community Bank**® Branch Manager over this past financial year. My role commenced in October 2015 and I must say how delighted I am to be a part of this team and the Helensvale community.

In the past 12 months, not only have I joined the team, but we have also welcomed two new staff members including Damien Shields who commenced in November 2015 as a Customer Service Officer. This is Damien's first step into banking but he has been a great asset and is learning the banking system very quickly. We also welcomed Lisa Stanley as a Customer Service Officer in April 2016. Lisa has a wealth of experience and has been in banking for a number of years and most recently worked at the Elanora branch. Both staff are a welcome addition to the team and together with Caren Hilton, Senior Customer Service Officer and myself we have been working extremely hard to give our branch every chance of success. I have no doubt that moving into the next financial year we will see our results exceed expectation.

The Helensvale area is currently experiencing a lot of growth with the new residential development of 'The Surrounds' being undertaken by Villawood at the old Gold Coast Country Club golf site. Adjacent to that will be the end of the line for Stage 2 of the light rail network which will connect Helensvale through to Surfers Paradise and Broadbeach. We have also welcomed the NightQuarter Markets to the precinct which has been an overwhelming success for the area. 'The Surrounds' development presents a number of opportunities for Helensvale **Community Bank**® Branch and we are currently in discussions with the developers on how we can capitalise on the opportunity to further develop our banking business with the new community.

This year the branch has supported a number of local events and clubs including the inaugural 'Racing the Vale' hosted by Division 2, Cr. William Owen-Jones that was an event to promote a number of local sporting clubs and community organisations. It was also an opportunity to officially launch the Helensvale Community App which has received immense support from the community and continues to provide a platform for local residents, visitors and community organisations to connect with the broader Helensvale community. We have also contributed to the Helensvale/Pacific Pines Cricket Club, The Studio Village Christmas Carols, Helensvale Hornets Rugby League Club and Northern Gold Coast Community Variety Show.

The support that is provided to local community organisations is attributable to the banking support received from our customers as a portion of our profits is redirected to the community. I encourage you to consider Bendigo Bank for your financial needs, we offer a wide variety of products and services including Home lending, Business Banking, Insurance, Wealth and various Deposit accounts.

I would like to take this opportunity to thank my staff, our shareholders, customers and board of directors for your continued support. I look forward to the coming year where we can continue to support the Helensvale community.

Aaron Kidney
Helensvale 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:

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: Practice Manager at Pindara Hospital

Qualifications, experience and expertise: Former Consultant to Queensland Health and former Mortgage Broker. 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 (continued)

Kerry Jane Brammer
Director
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

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 Medical Practice 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 2016 $	Year ended 30 June 2015 $
(21,945)	(72,646)

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.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended	
	Eligible	**Attended**
Robert John Knight	10	10
Trevor Newton Jones	10	8
Leeanne Kay Braund	10	10
Stephen Michael O'Donoghue	10	3
Micheal Douglas McCarthy	10	7
Kerry Jane Brammer	10	6

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.

Non audit services (continued)

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.

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 Biggera Water, Queensland on 31 August 2016.

Robert John Knight,
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 Broadwater Financial Services Limited

As lead auditor for the audit of Broadwater Financial Services 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: 31 August 2016

David Hutchings
Lead Auditor

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Financial statements

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

	Notes	2016 $	2015 $
Revenue from ordinary activities	4	945,514	810,264
Employee benefits expense		(553,400)	(517,663)
Charitable donations, sponsorship, advertising and promotion		(52,840)	(40,196)
Occupancy and associated costs		(136,074)	(140,515)
Systems costs		(38,280)	(38,231)
Depreciation and amortisation expense	5	(33,157)	(25,996)
Finance costs	5	(21,684)	(20,512)
General administration expenses		(134,542)	(122,692)
Loss before income tax		**(24,463)**	**(95,541)**
Income tax credit	6	2,518	22,895
Loss after income tax		**(21,945)**	**(72,646)**
Total comprehensive income for the year		**(21,945)**	**(72,646)**
Earnings per share for loss attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	22	(3.71)	(12.27)

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	12,417	12,414
Trade and other receivables	8	46,096	42,602
Total Current Assets		**58,513**	**55,016**
Non-Current Assets			
Property, plant and equipment	9	227,751	236,918
Intangible assets	10	7,339	13,334
Deferred tax asset	11	116,476	113,958
Total Non-Current Assets		**351,566**	**364,210**
Total Assets		**410,079**	**419,226**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	26,933	20,720
Borrowings	13	190,360	217,445
Provisions	14	4,887	9,197
Total Current Liabilities		**222,180**	**247,362**
Non-Current Liabilities			
Borrowings	13	175,354	138,482
Provisions	14	6,511	5,403
Total Non-Current Liabilities		**181,865**	**143,885**
Total Liabilities		**404,045**	**391,247**
Net Assets		**6,034**	**27,979**
Equity			
Issued capital	15	406,858	406,858
Accumulated losses	16	(400,824)	(378,879)
Total Equity		**6,034**	**27,979**

The accompanying notes form part of these financial statements.

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

	Issued capital $	Accumulated losses $	Total equity $
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**
Balance at 1 July 2015	**406,858**	**(378,879)**	**27,979**
Total comprehensive income for the year	**-**	**(21,945)**	**(21,945)**
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	**406,858**	**(400,824)**	**6,034**

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		1,037,123	892,558
Payments to suppliers and employees		(1,007,230)	(940,162)
Interest received		3	99
Interest paid		(21,684)	(20,512)
Net cash provided by/(used in) operating activities	**17**	**8,212**	**(68,017)**
Cash flows from investing activities			
Payments for property, plant and equipment		(5,977)	-
Payments for intangible assets		(12,019)	-
Net cash used in investing activities		**(17,996)**	**-**
Cash flows from financing activities			
Proceeds from borrowings		200,000	-
Repayment of borrowings		(177,540)	(29,404)
Net cash provided by/(used in) financing activities		**22,460**	**(29,404)**
Net increase/(decrease) in cash held		**12,676**	**(97,421)**
Cash and cash equivalents at the beginning of the financial year		(168,515)	(71,094)
Cash and cash equivalents at the end of the financial year	**7(a)**	**(155,839)**	**(168,515)**

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.

Application of new and amended accounting standards

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

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

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

Economic dependency - Bendigo and Adelaide Bank Limited

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

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**® 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**® branches
- 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 2016 were $6,034 and the loss made for the year was $21,945, bringing accumulated losses to $400,824.

In addition:	**$**
Total assets were	410,079
Total liabilities were	404,045
Operating cash flows were	8,212

There was a 70% decrease in the loss recorded for the financial year ended 30 June 2016 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 $225,000 and was drawn to $168,256 as at 30 June 2016. The company also has a bank loan with a value of $197,458.

An interest free period of two years has expired. As a result $21,684 of interest expense was incurred during the 2016 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 10. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Going concern (continued)

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 2016/17 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 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.

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.

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.

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.

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.

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).

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax

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

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

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

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

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of 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 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 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 comprehensive income.

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Taxation (continued)

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

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

Note 4. Revenue from ordinary activities

	2016 $	2015 $
Operating activities:		
- services commissions	945,511	807,665
- other revenue	-	2,500
Total revenue from operating activities	**945,511**	**810,165**

	2016 $	2015 $

Note 4. Revenue from ordinary activities (continued)

	2016 $	2015 $
Non-operating activities:		
- interest received	3	99
Total revenues from ordinary activities	**945,514**	**810,264**

Note 5. Expenses

	2016 $	2015 $
Depreciation of non-current assets:		
- plant and equipment	2,455	3,118
- leasehold improvements	12,689	12,878
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
- franchise renewal fee	8,000	8,000
- establishment fee	8,013	-
	33,157	**25,996**
Finance costs:		
- interest paid	**21,684**	**20,512**
Bad debts	**11,458**	**1,229**

Note 6. Income tax credit

	2016 $	2015 $
The components of tax credit comprise:		
- Future income tax benefit attributable to losses	(11,650)	(28,757)
- Movement in deferred tax	9,386	(136)
- Adjustment to deferred tax to reflect change to tax rate in future periods	4,235	5,998
- Under/(Over) provision of tax in the prior period	(4,489)	-
	(2,518)	**(22,895)**
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax credit as follows		
Operating loss	(24,463)	(95,541)
Prima facie tax on loss from ordinary activities at 28.5% (2015: 30%)	(6,972)	(28,893)
Add tax effect of:		
- non-deductible expenses	-	136
- timing difference expenses	(4,678)	-
	(11,650)	**(28,757)**

Notes to the financial statements (continued)

	Note	2016 $	2015 $
Note 6. Income tax credit (continued)			
Movement in deferred tax		9,386	(136)
Adjustment to deferred tax to reflect change of tax rate in future periods		4,235	5,998
Under/(Over) provision of income tax in the prior year		(4,489)	-
		(2,518)	**(22,895)**

Note 7. Cash and cash equivalents

	Note	2016 $	2015 $
Cash at bank and on hand		12,417	12,414
		12,417	**12,414**
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		12,417	12,414
Bank overdraft	13	(168,256)	(180,929)
		(155,839)	**(168,515)**

Note 8. Trade and other receivables

	Note	2016 $	2015 $
Trade receivables		37,061	38,402
Prepayments		4,167	4,200
Other receivables and accruals		4,868	-
		46,096	**42,602**

Note 9. Property, plant and equipment

	Note	2016 $	2015 $
Leasehold improvements			
At cost		289,988	284,010
Less accumulated depreciation		(80,863)	(68,174)
		209,125	**215,836**
Plant and equipment			
At cost		47,185	47,186
Less accumulated depreciation		(28,559)	(26,104)
		18,626	**21,082**
Total written down amount		**227,751**	**236,918**

	2016 $	2015 $

Note 9. Property, plant and equipment (continued)

Movements in carrying amounts:

	2016 $	2015 $
Leasehold improvements		
Carrying amount at beginning	215,836	228,714
Additions	5,977	-
Disposals	-	-
Less: depreciation expense	(12,689)	(12,878)
Carrying amount at end	**209,124**	**215,836**
Plant and equipment		
Carrying amount at beginning	21,082	24,199
Additions	-	-
Disposals	-	-
Less: depreciation expense	(2,455)	(3,117)
Carrying amount at end	**18,627**	**21,082**
Total written down amount	**227,751**	**236,918**

Note 10. Intangible assets

	2016 $	2015 $
Franchise fee		
At cost	70,000	70,000
Less: accumulated amortisation	(69,333)	(67,333)
	667	**2,667**
Establishment fee		
At cost	32,019	20,000
Less: accumulated amortisation	(28,013)	(20,000)
	4,006	**-**
Renewal processing fee		
At cost	40,000	40,000
Less: accumulated amortisation	(37,334)	(29,333)
	2,666	**10,667**
Other intangible assets		
At cost	61,800	61,800
Less: accumulated amortisation	(61,800)	(61,800)
	-	**-**
Total written down amount	**7,339**	**13,334**

	2016 $	2015 $

Note 11. Tax

	2016 $	2015 $
Non-Current:		
Deferred tax assets		
- accruals	1,170	698
- employee provisions	3,134	4,380
- tax losses carried forward	120,844	108,880
	125,148	**113,958**
Deferred tax liability		
- property, plant and equipment	8,672	-
	8,672	**-**
Net deferred tax asset	**116,476**	**113,958**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**(2,518)**	**(22,894)**

Note 12. Trade and other payables

	2016 $	2015 $
Trade creditors	8,737	8,808
Other creditors and accruals	18,196	11,912
	26,933	**20,720**

Note 13. Borrowings

	2016 $	2015 $
Current:		
Bank overdrafts	168,256	180,929
Bank loans	22,104	36,516
	190,360	**217,445**
Non-Current:		
Bank loans	175,354	138,482
	175,354	**138,482**

The approved overdraft limit is $225,000. Interest is charged at a rate of 4.225% (2015 4.225%), with the overdraft first 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.

The bank loan is repayable monthly. Interest is recognised at an average rate of 7.99% (2015: 7.3%). The loan are secured by a fixed and floating charge over the company's assets. In January 2016 a $200,000 bank loan was taken out to repay two loans previously held by the company. The value of the loans at the date of repayment totalled $159,403.

	2016 $	2015 $

Note 14. Provisions

	2016 $	2015 $
Current:		
Provision for annual leave	**4,887**	**9,197**
Non-Current:		
Provision for long service leave	**6,511**	**5,403**

Note 15. Contributed equity

	2016 $	2015 $
592,038 ordinary shares fully paid (2015: 592,038)	444,025	444,025
Less: equity raising expenses	(37,167)	(37,167)
	406,858	**406,858**

A bonus share issue on a 1:3 basis (148,013 shares) was issued to all existing shareholders on 18 June 2010.

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 15. 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 250. As at the date of this report, the company had 300 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.

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 16. Accumulated losses

Balance at the beginning of the financial year	(378,879)	(306,233)
Net loss from ordinary activities after income tax	(21,945)	(72,646)
Balance at the end of the financial year	**(400,824)**	**(378,879)**

Note 17. Statement of cash flows

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

Loss from ordinary activities after income tax	(21,945)	(72,646)
Non cash items:		
- depreciation	15,144	15,996
- amortisation	18,013	10,000

Note 17. Statement of cash flows (continued)

	2016 $	2015 $
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(3,494)	3,085
- (increase)/decrease in other assets	(2,518)	(22,895)
- increase/(decrease) in payables	6,214	849
- increase/(decrease) in provisions	(3,202)	(2,406)
Net cash flows provided by/(used in) operating activities	**8,212**	**(68,017)**

Note 18. Leases

	2016 $	2015 $
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	84,300	87,784
- between 12 months and 5 years	172,729	241,668
- greater than 5 years	-	7,946
	257,029	**337,398**

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

	2016 $	2015 $
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,100	3,950
- share registry services	1,800	1,750
- other non audit services	2,115	2,200
	8,015	**7,900**

Note 20. Director and related party disclosures

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

Robert John Knight
Trevor Newton Jones
Leeanne Kay Braund
Stephen Michael O'Donoghue
Micheal Douglas McCarthy
Kerry Jane Brammer

Note 20. Director and related party disclosures (continued)

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		
Robert John Knight	-	-
Trevor Newton Jones	-	-
Leeanne Kay Braund	-	-
Stephen Michael O'Donoghue	40,000	40,000
Micheal Douglas McCarthy	-	-
Kerry Jane Brammer	-	-

Note 21. 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.

	2016 $	2015 $
Note 22. Earnings per share		
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(21,945)	(72,646)

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	592,038	592,038

Note 23. 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 24. Contingent liabilities and contingent assets

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

Note 25. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Biggera Waters and Helensvale, Queensland pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 26. Registered office/Principal place of business

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

Registered Office	**Principal Place of Business**
33 Hollywell Road	33 Hollywell Road
Biggera Waters QLD 4216	Biggera Waters QLD 4216

Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

	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	12,017	12,014	-	-	-	-	-	-	400	400	0.03	1.2
Receivables	-	-	-	-	-	-	-	-	37,061	38,402	N/A	N/A
Financial liabilities												
Interest bearing liabilities	168,256	180,929	22,104	36,516	175,354	38,482		100,000	-	-	6.02	9.21
Payables	-	-	-	-	-	-	-	-	8,737	8,808	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.

Notes to the financial statements (continued)

Note 27. Financial instruments (continued)

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 $**
Change in profit/(loss)		
Increase in interest rate by 1%	(3,537)	(3,439)
Decrease in interest rate by 1%	(3,537)	(3,439)
Change in equity		
Increase in interest rate by 1%	(3,537)	(3,439)
Decrease in interest rate by 1%	(3,537)	(3,439)

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 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.

Robert John Knight,
Chairman

Signed on the 31st of August 2016.

Independent audit report

Partners in success

Chartered Accountants

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 2016, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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

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Independent audit report (continued)

Independence

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

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 before tax of $21,945 during the year ended 30 June 2016, further reducing the company's net assets to $6,034. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast 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.

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 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: 31 August 2016

David Hutchings
Lead Auditor

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www.bendigobank.com.au/biggera_waters

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