



Annual Report 2016

Buloke Community
Enterprises Limited

ABN 29 147 298 039

Donald & District **Community Bank**® Branch

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Chairman's report

For year ending 30 June 2016

I am pleased to present the sixth Annual Report of Buloke Community Enterprises Limited to shareholders.

Our fourth full year of operation has continued in a challenging environment. Two consecutive years of drought have impacted on the local economy, and banking margins have reduced further due to economic conditions generally. This has affected income and despite increasing our total volume of business, Buloke Community Enterprises Limited incurred a loss of \$66,939 before tax or \$58,181 after tax and has had to utilise overdraft facilities.

Our strategy going forward is to contain costs and to increase business in the branch. To manage costs, we have deferred appointing a Manager, and are being supported by Bendigo and Adelaide Bank Limited (BEN) and Rural Bank specialists to meet the needs of customers where required. Bench marking of branch operations indicates that our branch is operating efficiently and on a low cost base. The main focus going forward therefore is to increase business, and to this end we are building the capacity of our staff, focussing on customer service and, in conjunction with BEN specialists, actively building relationships with local businesses. We have an emphasis on marketing BEN services to the community and as well as traditional advertising, we have initiated the following activities:

- Information Evening for Businesses
- Rural Bank Open Day
- Coffee For an Insurance Quote
- Learners Drivers package
- New Baby Vouchers.

Our staffing structure has continued to evolve. Jodie Mathews resigned as a part time Customer Services Officer (CSO) late in 2015. This position was replaced with two part time positions, and we were pleased to appoint Judy Postlethwaite and Chloe Jane to join Kim Thompson and Naomi Fay on the staff. This has provided us with a more flexible work place, so that the branch is now open for the whole day, five days a week. Kim Thompson took on a temporary position as Customer Relationship Officer (CRO) in January, and has since been appointed to that position permanently. There has been a focus on training, developing skills, sharing responsibilities, and on building relationships with customers and the community at large.

The Board has opted to renew the franchise to operate the Donald & District **Community Bank**[®] Branch for a further five years, for a fee of \$77,901.63. The Board negotiated to pay this fee in five instalments over the term of the franchise. The Board also opted to adopt the new simplified franchise agreement and to participate in the new Funds Transfer Pricing system, which will result in increased revenue from our current operations, and an increase in our allocation for the Market Development Fund, which is ultimately redistributed in the community.

From July we have been operating under a new BEN regional management structure, which has also resulted in a change in the personnel who support our operations. I would like to thank John Sirolli, David Gray, Nina Cass, Graham Hartland and Maree Selwood, who have moved on or taken other roles, for their assistance and support over the last five years. We look forward to working with the new management team and believe this will open up new opportunities for Buloke Community Enterprises Limited.

We have continued our support of the local community through sponsorship, grants and donations, including to the following:

- Donald P&A Society
- Donald Basketball
- Donald History and Natural History Group
- Donald Kindergarten

Chairman's report (continued)

- Buloke Young Farmers
- Donald and District Race Club
- Watchem Cricket Club
- Donald Lawn Tennis Club Annual Tournament
- Donald Chamber of Commerce and Industry
- Donald High School – Scholarship, Anti-bullying Day and Breakfast Club
- Donald Fun-raiser event.
- Donald Golf Bowls Club – Mini Pennant
- Jeffcott Cricket Club Pink Stumps Day
- Donald Bowling Club Annual Tournament
- Donald Netball Club
- Donald Golf Club – Annual Tournament
- Donald RSL
- Donald Football Club awards
- Donald 2000 Tree Planting Project
- Learner Driver Reward Package.

On behalf of the Board, I would like to acknowledge the hard work and professionalism of Kim, Naomi, Chloe and Judy, who are the public face of our **Community Bank**[®] branch, and thank them for their efforts. They are committed to building relationships, meeting customer needs, supporting the community and building the business. I would also like to thank my fellow board members for their contributions and support, including board secretary Harold Flett and finance officer Angie Donnellon. Early in the year, we farewelled Kerryn Voight, who resigned as a Director due to her imminent move away from Donald.

While we continue to operate in a challenging environment, it is useful to reflect back on what has been achieved. We have built an asset which has made and will continue to make a significant financial contribution to the community, we are providing a five day a week banking service, we have been instrumental in retaining a VicRoads agency in Donald, we are providing employment in the town, and we are supporting other community organisations to stage events and provide services, all of which contribute to economic activity in the local community.

With the level of commitment and skills of the Board and the staff, and the progress made to date, I look forward to the future with confidence.



John Stuchbery
Chairman

Manager's report

For year ending 30 June 2016

I prepare and write this report in the absence of a current Branch Manager.

The past year has been a challenging year with a lack of business growth, the current business on the books totals \$35.2 million which is comprised of loans and deposits.

Total business growth to 30 June 2016 was (\$1,611,000) which was attributed to lending growth of (\$886,000) deposits (\$753,000) and other business grew by \$28,000.

Home loan discharges totalled \$1.698 million compared to the prior year of \$478,000 which is an increase of \$1.220 million. Loan approvals remained at a similar level as the prior year at \$2.310 million. The movement in deposits growth was attributed to term deposits (\$2.700 million) and at call deposits grew by \$2 million.

In addition to discharges customers continue to pay down their loans at a faster rate than in previous years.

Banking is becoming more and more competitive and the reduced margins across the banking sector means that we have to do more with our existing customers as well as attracting new customers.

The climatic conditions have proven a challenge in the district in recent years and it is pleasing to see conditions improving in recent times.

I would sincerely like to thank John Stuchbery and the entire Board of Buloke Community Enterprises Limited for their efforts volunteering many hours of their time over the last 12 months. Everyone has worked diligently to monitor expenses and we need a continued focus to grow the business.

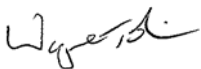
We have a terrific branch team lead by Kim Thompson and I would like to acknowledge Kim, Judy, Naomi and Chloe for their efforts. We encourage all community members to support the business by doing your banking with the friendly team at Donald & District **Community Bank**[®] Branch.

We would also like to acknowledge the shareholders of Buloke Community Enterprises Limited; your ongoing support over the years is greatly appreciated.

Buloke Community Enterprises Limited plays a vital role in the community, not only providing a quality banking service to our customers but also employing local staff from the district. This results in the retention of local capital which is vital for any community.

Our point of difference in banking is 'community' and the **Community Bank**[®] model is an integral part of Bendigo and Adelaide Bank's culture and we thank you for being part of this.

Many thanks and kind regards,



Wayne Tobin
Senior Manager Community Relationships
Bendigo North West Vic

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:

Philip John Stuchbery

Chairman

Occupation: Agricultural Consultant

Qualifications, experience and expertise: John grew up on the family farm in the Upper South East of South Australia. John has a Bachelor of Applied Science in Agriculture and a Graduate Diploma in Agriculture from Roseworthy Agricultural College. He has previously worked on the family farm, in research roles with the Departments of Agriculture in South Australia and Victoria, and for the Australian Wheat Board in South Australia . John owned and managed a consulting company which provided independent technical and management advice to farmers in western Victoria for 23 years, and now occupies a similar role with Agrivision Consultants. John was a member of the Donald Primary School Council for nine years and the Donald High School Council for four years.

Special Responsibilities: Chairperson of Human Resources Committee.

Interest in shares: 1,500

Shane Francis O'Shea

Director

Occupation: Journalist

Shane is a partner in the local newspaper, he was the Chairman of the Donald & District **Community Bank** Steering Committee, he is the past president of Donald Lions Club, he is a past president of the Donald Chamber of Commerce and Industry, member and past chairman of the Donald Cemetery Trust and has worked as a photographer/Journalist/Compositor with the "Buloke Times" for 43 years. He has also completed a four-year apprenticeship as a hand and machine compositor.

Special Responsibilities: Chairman of Marketing & Sponsorship Committee and member Due Diligence Committee.

Interest in shares: 4,001

Angelique Tammy Donnellon

Treasurer

Occupation: Part-time Bookkeeping

Angelique holds a Bachelor of Business (Accounting) and a Graduate Diploma of Education (Secondary). She lives on a family farm with her husband and 4 sons specialising in dryland crop and fat lambs. Currently, she holds treasurer positions for Donald 2000, Donald Basketball Association and St Mary's Parents & Friends, which previously she has been President of. She is also on the Advisory Committee for the Donald Children's Centre.

Special Responsibilities: Treasurer, Human Resources, Community Development and Finance & Budget Committees.

Interest in shares: 5,001

Directors' report (continued)

Directors (continued)

John Anthony McConville

Director

Occupation: Small Business Owner - Engineering

John is the Chair of Donald 2000, a former farmer and current owner of Donald Steel Supply for 29 years.

Special Responsibilities: Human Resources and Community Development Committees.

Interest in shares: 1,001

Harold Hugh Flett

Secretary

Occupation: Primary Producer

Harold has been a farmer since leaving school in 1960, and have always been involved in my community, serving in organisations like the CFA and Victorian Farmers Federation. Involvement in the Donald Uniting Church and its wider affiliations has also always been important to me. Being elected as a Councillor onto the Buloke Council in 2003 gave me a whole new experience, and my work on matters to do with transport representing Council was fruitful and extremely challenging. After successfully facing four elections, I did not seek re nomination in October 2012. I have no tertiary qualifications, only 50 years of farming business management!

Special Responsibilities: Nil.

Interest in shares: 4,001

Colin Thomas Gilmour

Director

Occupation: Farmer

Colin is the Captain of the Cope Cope CFA, President of Donald Football Club, Treasurer of Wimmera Mallee Cricket Association and Secretary of Donald Friends & Neighbours Society.

Special Responsibilities: Marketing & Sponsorship.

Interest in shares: 3,001

Julie Louise Slater

Director

Occupation: Executive Officer, Community Leadership Loddon Murray

Qualifications, experience and expertise: Julie lives at Corack East with her husband Andrew and three children, where she is a Director of a family farming enterprise, Slater Farming. She is also the Executive Officer of Community Leadership Loddon Murray Inc., Deputy Chair of the North Central Catchment Management Authority and Women's Health Loddon Mallee, and a Director of Community Leadership Australia and the Victorian Regional Community Leadership Programs Inc.

Other Directorships: AJ & AL Slater Pty Ltd and Community Leadership Australia.

Special Responsibilities: Audit & Governance and Community Development Committees.

Interest in shares: 5,000

Directors' report (continued)

Directors (continued)

Claire Alexis Bibby

Director

Occupation: Apprenticeship Co-ordinator - Longerenong College

Qualifications, experience and expertise: Claire was brought up on a mixed farm near Donald (cropping and Merino sheep). I have an Advanced Diploma of Rural Business Management and Bachelor of Business from Marcus Oldham College, Geelong. I am currently working as the Apprenticeship Coordinator at Longerenong College. Previously I was employed and Agribusiness Relationship Manager with Rural Finance in Horsham and Ballarat and as Finance Officer with Rabobank in Griffith, NSW. Agriculture, youth and local communities are my passion. I have been involved in the Donald Show for the past 7 years of which I was President of the Donald P & A Society for 4 years. I have recently joined the Cuisine in the Crop Committee and become director on the Victorian Agricultural Shows Ltd board. This is an opportunity for me to work alongside like-minded community groups that are progressive and innovated and are working towards a common goal - a successful and thriving community for all ages to enjoy.

Special Responsibilities: Marketing & Sponsorship Committee.

Interest in shares: Nil

Dale Heath Griffiths

Director

Occupation: Sales Agronomist / Farmer

Qualifications, experience and expertise: Dale has completed a degree in Agricultural Science at Melbourne University, maintained employment as an agronomist / farm advisor through the Mallee and Southern NSW from 1996 - 2002. From 2002 - 2012 he worked on the family farm with his father and brother. In 2012 he began farming on his own as "Heath Griffiths Family Trust". From 2015 he began work full time with Landmark as an Agronomy Manager. He is passionate about soil science / agronomy and sustainable farming. He is currently on the Committee for Donald Squash Club where he has held Presidents position for 5 years. He was elected to the Board of Buloke Community Enterprises in 2014.

Special Responsibilities: Community Development Committee.

Interest in shares: Nil

Kerryn Jean Voigt

Director (Resigned 2 May 2016)

Occupation: PCA / Assessment Officer

Kerryn has worked on the Buloke Shire for 21 years and has now relocated to Geelong. She was the Donald Show President for 4 years Vice-President for 2 years and Treasurer for 2 years - altogether on Show Committee 19 years - Wimmera AgShow - President 12 months, Vice-President 2 years, Donald Bingo Committee - 16 years.

Special Responsibilities: Marketing & Sponsorship and Asset Management Committees.

Interest in shares: 500

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

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

Company Secretary

The company secretary is Harold Hugh Flett. Harold was appointed to the position of secretary on 28 October 2014.

Harold has been a farmer for 50 years in Donald. He has been heavily involved in the local community throughout his life including membership of school council, CFA and UCA Church. He was a Councillor of the Buloke Shire for 9 years. Harold replaced Kerryn Jean Voigt who held the position since May 2013.

Directors' report (continued)

Principal Activities

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

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

Operating results

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

Year ended 30 June 2016 \$	Year ended 30 June 2015 \$
(58,181)	(40,997)

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' 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
Philip John Stuchbery	11	10
Shane Francis O'Shea	11	11
Angelique Tammy Donnellon	11	11
John Anthony McConville	11	6
Harold Hugh Flett	11	10
Colin Thomas Gilmour	11	10
Julie Slater	11	6
Claire Alexis Bibby	11	7
Dale Heath Griffiths	11	5
Kerryn Jean Voigt (Resigned 2 May 2016)	9	5

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

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

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 11.

Signed in accordance with a resolution of the board of directors at Donald, Victoria on 16 September 2016.



**Philip John Stuchbery,
Chairman**

Auditor's independence declaration



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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 16 September 2016

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

David Hutchings
Lead Auditor

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

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Financial statements

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

	Notes	2016 \$	2015 \$
Revenue from ordinary activities	4	248,762	251,783
Employee benefits expense		(169,025)	(143,108)
Charitable donations, sponsorship, advertising and promotion		(21,914)	(20,665)
Occupancy and associated costs		(26,802)	(21,512)
Systems costs		(17,708)	(17,686)
Depreciation and amortisation expense	5	(27,313)	(33,345)
Finance costs	5	(562)	(15)
General administration expenses		(52,377)	(56,275)
Loss before income tax		(66,939)	(40,823)
Income tax (expense)/credit	6	8,758	(174)
Loss after income tax		(58,181)	(40,997)
Total comprehensive income for the year		(58,181)	(40,997)
Earnings per share for loss attributable to the ordinary shareholders of the company:			
		¢	¢
Basic earnings per share	22	(7.51)	(5.29)

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2016

	Notes	2016 \$	2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,232	2,604
Trade and other receivables	8	26,787	23,159
Total Current Assets		28,019	25,763
Non-Current Assets			
Property, plant and equipment	9	144,661	154,374
Intangible assets	10	38,668	56,268
Deferred tax asset	11	145,862	137,104
Total Non-Current Assets		329,191	347,746
Total Assets		357,210	373,509
LIABILITIES			
Current Liabilities			
Trade and other payables	12	27,270	19,551
Borrowings	13	38,018	5,438
Provisions	14	7,316	5,344
Total Current Liabilities		72,604	30,333
Non-Current Liabilities			
Provisions	14	409	798
Total Non-Current Liabilities		409	798
Total Liabilities		73,013	31,131
Net Assets		284,197	342,378
Equity			
Issued capital	15	751,150	751,150
Accumulated losses	16	(466,953)	(408,772)
Total Equity		284,197	342,378

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2014	751,150	(367,775)	383,375
Total comprehensive income for the year	-	(40,997)	(40,997)
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	751,150	(408,772)	342,378
Balance at 1 July 2015	751,150	(408,772)	342,378
Total comprehensive income for the year	-	(58,181)	(58,181)
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	751,150	(466,953)	284,197

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		269,645	275,063
Payments to suppliers and employees		(303,035)	(292,003)
Interest received		-	2
Interest paid		(562)	(15)
Net cash used in operating activities	17	(33,952)	(16,953)
Net decrease in cash held		(33,952)	(16,953)
Cash and cash equivalents at the beginning of the financial year		(2,834)	14,119
Cash and cash equivalents at the end of the financial year	7(a)	(36,786)	(2,834)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

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

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

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

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

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

Going concern

The net assets of the company as at 30 June 2016 were \$284,197 and the loss made for the year was \$58,181, bringing accumulated losses to \$466,953.

In addition:	\$
Total assets were	357,210
Total liabilities were	73,013
Operating cash flows were	(33,952)

There was a 42% increase 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 \$120,000 and was drawn to \$38,018 as at 30 June 2016.

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 5 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. Revenue has declined and 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 seek an increase in its overdraft facility

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 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.

b) Revenue

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

Revenue calculation

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

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

Commission

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

Fee income

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

Ability to change financial return

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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

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

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

Monitoring and changing financial return

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

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

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

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

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

c) Income tax

Current tax

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

Deferred tax

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

g) Property, plant and equipment

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

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

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

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

Impairment

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

l) Leases

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

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

m) Provisions

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

m) Provisions (continued)

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

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.

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

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

Estimation of useful lives of assets

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

Goodwill

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

The calculations require the use of assumptions.

Impairment of assets

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

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

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

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

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- services commissions	245,843	244,766
- other revenue	2,919	7,015
Total revenue from operating activities	248,762	251,781
Non-operating activities:		
- interest received	-	2
Total revenue from non-operating activities	-	2
Total revenues from ordinary activities	248,762	251,783

Note 5. Expenses

Depreciation of non-current assets:

- leasehold improvements	8,202	9,657
- plant and equipment	1,511	1,688

Amortisation of non-current assets:

- franchise agreement	1,600	2,000
- establishment fee	16,000	20,000
	27,313	33,345

Finance costs:

- interest paid	562	15
Bad debts	268	296

Note 6. Income tax expense/(credit)

The components of tax expense/(credit) comprise:

- Future income tax benefit attributable to losses	(15,100)	(6,206)
- Movement in deferred tax	3,591	(836)
- Adjustment to deferred tax to reflect change to tax rate in future periods	5,304	7,216
- Under/over provision in respect to prior years	(2,553)	-
	(8,758)	174

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

Operating loss	(66,939)	(40,823)
Prima facie tax on loss from ordinary activities at 28.5% (2015: 30%)	(19,078)	(12,247)

Notes to the financial statements (continued)

	Note	2016 \$	2015 \$
Note 6. Income tax expense/(credit) (continued)			
Add tax effect of:			
- non-deductible expenses		5,016	6,600
- timing difference expenses		(1,038)	836
- other deductible expenses		-	(1,395)
		(15,100)	(6,206)
Movement in deferred tax		3,591	(836)
Adjustment to deferred tax to reflect change of tax rate in future periods		5,304	7,216
Under/over provision in respect to prior years		(2,553)	-
		(8,758)	174

Note 7. Cash and cash equivalents

Cash at bank and on hand		1,232	2,604
		1,232	2,604

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		1,232	2,604
Bank overdraft	13	(38,018)	(5,438)
		(36,786)	(2,834)

Note 8. Trade and other receivables

Trade receivables		21,715	18,034
Prepayments		5,072	5,125
		26,787	23,159

Note 9. Property, plant and equipment

Leasehold improvements			
At cost		174,799	174,799
Less accumulated depreciation		(46,010)	(37,808)
		128,789	136,991

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 9. Property, plant and equipment (continued)		
Plant and equipment		
At cost	46,878	46,878
Less accumulated depreciation	(31,006)	(29,495)
	15,872	17,383
Total written down amount	144,661	154,374
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	136,991	146,648
Less: depreciation expense	(8,202)	(9,657)
Carrying amount at end	128,789	136,991
Plant and equipment		
Carrying amount at beginning	17,383	19,071
Less: depreciation expense	(1,511)	(1,688)
Carrying amount at end	15,872	17,383
Total written down amount	144,661	154,374

Note 10. Intangible assets

Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(9,600)	(8,000)
	400	2,000
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(96,000)	(80,000)
	4,000	20,000
Goodwill on purchase of agency	34,268	34,268
Total written down amount	38,668	56,268

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 11. Tax		
Deferred tax assets		
- accruals	715	698
- employee provisions	2,124	1,750
- tax losses carried forward	146,965	134,656
	149,804	137,104
Deferred tax liability		
- property, plant and equipment	3,942	-
	3,942	-
Net deferred tax asset	145,862	137,104
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(8,758)	174

Note 12. Trade and other payables

Trade creditors	5,004	2,570
Other creditors and accruals	22,266	16,981
	27,270	19,551

Note 13. Borrowings

Bank overdrafts	38,018	5,438
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Buloke Community Enterprises Limited has an approved overdraft limit of \$120,000.

Interest is payable monthly and is recognised at an average rate of 4.285% (2015: 4.2%).

Note 14. Provisions

Current:

Provision for annual leave	7,316	5,344
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Non-Current:

Provision for long service leave	409	798
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Note 15. Contributed equity

774,411 ordinary shares fully paid (2015: 774,411)	774,411	774,411
Less: equity raising expenses	(23,261)	(23,261)
	751,150	751,150

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 391. As at the date of this report, the company had 406 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.

	2016 \$	2015 \$
Note 16. Accumulated losses		
Balance at the beginning of the financial year	(408,772)	(367,775)
Net loss from ordinary activities after income tax	(58,181)	(40,997)
Balance at the end of the financial year	(466,953)	(408,772)

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	(58,181)	(40,997)
Non cash items:		
- depreciation	9,713	11,345
- amortisation	17,600	22,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(3,628)	(1,366)
- (increase)/decrease in other assets	(8,758)	174
- increase/(decrease) in payables	7,719	(3,220)
- increase/(decrease) in provisions	1,583	(4,889)
Net cash flows used in operating activities	(33,952)	(16,953)

Notes to the financial statements (continued)

	2016 \$	2015 \$
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	2,833	8,500
- between 12 months and 5 years	-	2,833
	2,833	11,333

The branch premises lease is a non-cancellable lease with a five-year term. The lease expires on 13 October 2016 and has two 5 year renewal options remaining. Rent is 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	4,100	3,950
- other non audit services	2,330	2,307
	6,430	6,257

Note 20. Director and related party disclosures

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

Philip John Stuchbery
Shane Francis O'Shea
Angelique Tammy Donnellon
John Anthony McConville
Harold Hugh Flett
Colin Thomas Gilmour
Julie Slater
Claire Alexis Bibby
Dale Heath Griffiths
Kerryn Jean Voigt (Resigned 2 May 2016)

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Notes to the financial statements (continued)

	2016 \$	2015 \$
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Note 20. Director and related party disclosures (continued)

Transactions with related parties:

Shane O'Shea is a partner at The Buloke Times. Buloke Community Enterprises Limited used the services of The Buloke Times during the financial year for advertising and printing. The total benefit The Buloke Times received for the financial year was:

1,919	1,905
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	2016	2015
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Directors' shareholdings

Philip John Stuchbery	1,500	1,500
Shane Francis O'Shea	4,001	4,001
Angelique Tammy Donnellon	5,001	5,001
John Anthony McConville	1,001	1,001
Harold Hugh Flett	4,001	4,001
Colin Thomas Gilmour	1,001	1,001
Julie Louise Slater	5,000	5,000
Claire Alexis Bibby	-	-
Dale Heath Griffiths	-	-
Kerryn Jean Voigt (Resigned 2 May 2016)	500	500

There was no movement in directors shareholdings during the year.

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 \$
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Note 22. Earnings per share

(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(58,181)	(40,997)
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	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	774,411	774,411

Notes to the financial statements (continued)

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 Donald and surrounding districts, Victoria 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

61 Woods Street
Donald VIC 3480

Principal Place of Business

61 Woods Street
Donald VIC 3480

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.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 %	2015 %		
Financial assets												
Cash and cash equivalents	1,232	2,604	-	-	-	-	-	-	-	-	N/A	N/A
Receivables	-	-	-	-	-	-	-	-	21,715	18,034	N/A	N/A
Financial liabilities												
Interest bearing liabilities	38,018	5,438	-	-	-	-	-	-	-	-	2.80	0.42
Payables	-	-	-	-	-	-	-	-	27,270	19,551	N/A	N/A

Notes to the financial statements (continued)

Note 27. 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 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%	(368)	(28)
Decrease in interest rate by 1%	368	28
Change in equity		
Increase in interest rate by 1%	(368)	(28)
Decrease in interest rate by 1%	368	28

Directors' declaration

In accordance with a resolution of the directors of Buloke Community Enterprises Limited, we state that:

In the opinion of the directors:

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

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



Philip John Stuchbery,
Chairman

Signed on the 16th of September 2016.

Independent audit report



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

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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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 \$58,181 during the year ended 30 June 2016, further reducing the company's net assets to \$284,197. 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.

Auditor's opinion on the financial report

In our opinion:

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



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 16 September 2016



David Hutchings
Lead Auditor

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