



# Annual Report 2016

Clovelly Community  
Financial Services Ltd

ABN 69 097 378 740

Clovelly **Community Bank**® Branch

# Contents

---

<b>Chairman's report</b>	<b>2</b>
<b>Manager's report</b>	<b>4</b>
<b>Directors' report</b>	<b>5</b>
<b>Auditor's independence declaration</b>	<b>10</b>
<b>Financial statements</b>	<b>11</b>
<b>Notes to the financial statements</b>	<b>15</b>
<b>Directors' declaration</b>	<b>38</b>
<b>Independent audit report</b>	<b>39</b>

# Chairman's report

---

For year ending 30 June 2016

Welcome to the 15th Annual Report of Clovelly Community Financial Services Limited (CCFSL).

## **Current position**

I am pleased to advise the financial year 2015/16 was a year where we exceeded our budget forecasts, achieving extraordinary growth in total business of \$20 million. Profit after tax was \$116,386 increasing retained earnings to \$279,411.

The strong performance of the branch was a reflection of the ongoing dedication and professionalism of our staff, who under the guidance of our Manager Peter Swan working closely with our Board of Directors in building stronger relationships with our customers and community organisations.

## **Dividend**

The Board of Directors has declared a final dividend of 8c per share for 2015/16.

## **Board of Directors**

Once again I would like to thank my fellow Board members for their enthusiastic expertise in the successful running of our **Community Bank**<sup>®</sup> branch. Particularly our Company Secretary Jon Hancock, Treasurer Janet Kidson and Alison Cunniffe for her organisational skills.

## **Community participation**

In keeping with the basic ethos of the **Community Bank**<sup>®</sup> model of investing in the community, the branch continued to contribute a percentage of its profits through its grants and sponsorships programmes. During the year the Bank returned \$96,000 back to our local community groups. This included a \$20,000 allocation to the Community Enterprise Foundation<sup>™</sup> towards next years grants programme.

Grants were provided to:

- Weave Youth & Community Services
- Windgap Foundation
- Junction Neighbourhood Centre
- Clovelly Public School

## **Parkinson's Seminar**

On Tuesday 9 February the **Community Bank**<sup>®</sup> branch sponsored a very successful seminar on Parkinson's disease.

A total of 220 people attended the Clovelly Surf Club to hear Melissa McConagy from the PD Warriors Programme and guest speaker John Pepper provide motivational and insightful approaches into dealing with Parkinson's disease.

Following the success of this seminar a follow-up seminar is being planned for early 2017.

## **Launch & Christening of IRB for Local Surf Club**

On Saturday 2 April the Clovelly **Community Bank**<sup>®</sup> Branch sponsored the christening and launching of another IRB for Coogee Surf Club. Crews and boats from Bondi, Tamarama, Bronte, Clovelly and Coogee Surf Clubs were in attendance, as were the federal member for Kingsford-Smith Matt Thistlethwaite and the state member for Coogee Bruce Notley-Smith.

# Chairman's report (continued)

---

The event featured a surf lifesaving display on Coogee beach culminating in an impressive flotilla of all five of the IRBs from the above mentioned clubs which were carrying the Clovelly **Community Bank**<sup>®</sup> Branch logo.

## **Grants Workshop**

On Wednesday 24 February 2016 the Clovelly **Community Bank**<sup>®</sup> Branch in conjunction with Randwick City Council and Weave Youth & Community Services hosted a grants workshop facilitated by Mr Keith Whelan, a recognised expert in sourcing grant funding.

The event was an outstanding success as we welcomed over 90 representatives from different community organisations and charities. The feedback was overwhelmingly positive as Keith's knowledge of the grants sector will help our community groups in pursuing further funding into the future.

## **Our team**

Congratulations to Peter Swan and his team for delivering outstanding customer service to the local residents, businesses and tradesmen. Through your efforts the continuing success of the branch can be assured.



**Michael DeNavi**  
**Chairman**

# Manager's report

---

For year ending 30 June 2016

The 2015/16 financial year has been exceptional. Clovelly Community Financial Services Limited (CCFSL) has posted its largest annual business growth figure since we began in 2002. The business grew by \$20.361 million. Our total business portfolio is now \$178.657 million and net assets are \$909,695, an outstanding result.

Thank you to our excellent hardworking and professional branch team. Their consistent delivery of a "can do" service and going over and above to help our clients has played a major part in the above result. Thanks also to Amy Land, Bendigo Bank Regional Manager who has been a big contributor to our success.

Congratulations to our Directors, again, for another solid performance. A management team, committed to diversity, collaboration, longevity, ethical and socially responsible business principles, to ensure the governance and financial success of the company. The Board has been strengthened and supported by the Marketing and Governance sub committees who work hard behind the scenes to meet our compliance obligations and guide promotion of our retail banking business.

This year we have significantly strengthened our collaboration with communities by working more closely with our grant/sponsorship recipients and have increased our involvement in community events. Nicola Powell our Community Partnership Manager has raised our profile and given the broader community a far better understanding of the **Community Bank**<sup>®</sup> concept and its benefits. We are now better aligned with our community groups and achieving more mutual outcomes than ever before thanks to Nicola's efforts.

As interest rates drop and margins diminish it is imperative we get the right balance between growth and profitability. Whilst we continually strive for book growth, profitability remains the priority. It is the means by which we can continue to provide returns to our stakeholders and continue the philanthropic endeavours that benefit our communities.

Our major strategic milestone is to have our property loan fully paid out in 2022. Our loan balance is now down to \$753,830. We are working hard and are on track to achieve our goal of having secure tenure in unencumbered premises in the eastern suburbs mid 2022.

After 14 years of continually building the business, staff, Directors and shareholders can be justifiably proud of our achievements. We have a solid foundation with business footings of over \$170 million and are in a strong position as we look forward to a dynamic and challenging 2017.

Yours sincerely,



**Peter Swan**  
**Branch Manager**

# Directors' report

---

For the financial year ended 30 June 2016

Your directors submit the financial statements of the company and its controlled entity 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:

### **Michael Joseph De Navi**

Chairman

Occupation: Small Business Owner

Qualifications, experience and expertise: Michael has extensive experience in small business. He has worked in and owned several small businesses. His present small business has been operating locally for 23 years and has won many accolades including Randwick Council Small Business of the Year. Michael has a strong sense of community. He is a lifetime member of the Clovelly Eagles Junior Rugby Club and was on the steering committee that established the **Community Bank**<sup>®</sup> branch.

Special responsibilities: Chairman

Interest in shares: 1 ordinary

### **Jonathan Henry Hancock**

Company Secretary

Occupation: Stockbroker

Qualifications, experience and expertise: Jonathan is a Stockbroker at Ord Minnett Limited providing a full range of stockbroking and direct asset management services to clients. He was a former President of Tamarama Surf Life Saving Club.

Special responsibilities: Company Secretary

Interest in shares: 1,000 ordinary

### **Janet May Kidson**

Treasurer

Occupation: Senior Consultant

Qualifications, experience and expertise: Janet has a degree in Computer Science. She ran her own IT consulting business for over 20 years and now works as a senior consultant specialising in financial systems and performance monitoring. She is Company Secretary of ARTD Pty Ltd and Treasurer and Management Committee Member of The Junction Neighbourhood Centre.

Special responsibilities: Treasurer

Member of the Marketing committee

Member of the Audit & Governance committee.

Interest in shares: 11,000 ordinary

# Directors' report (continued)

---

## Directors (continued)

### **Andrew Winters**

Director

Occupation: Retired Small Business Proprietor

Qualifications, experience and expertise: Andrew has expertise in Sales and Marketing working as National Manager in a number of Corporations. For the last 20 years he has been the Proprietor of a Chilled Dairy Foods Distribution Business. He is a past President of Bondi Surf Bathers Life Saving Club.

Special responsibilities: Nil

Interest in shares: 1,000 ordinary

### **William Patrick O'Connell**

Director

Occupation: Self Employed

Qualifications, experience and expertise: Bill has a degree in Business from the NSW Institute of Technology (now UTS). For thirty years he has worked in various marketing roles, including advertising, marketing management, research and analytics. He is currently self employed managing his family interests, which include primary production. He is a member of the Abstract Committee (since 2005) which raises funds for the Royal Institute for Deaf and Blind Children. He is also a non financial Director of the Australasian Pioneers' Club (2004-2011, 2015-current).

Special responsibilities: Member of the Marketing Committee.

Interest in shares: 1,000 ordinary

### **Adam Davids**

Director

Occupation: Learning & Development Manager

Qualifications, experience and expertise: Adam has a Bachelor of Commerce degree from the University of NSW. He is currently a Manager for Career Trackers, a non-profit organisation that provides career pathways for Indigenous university students through a structured internship program within the private sector. He is also a former employee and board member of the Kool Kids Club, a non-profit organisation that provides Indigenous Australian children with the facilities and skills to cook healthy, simple meals that are inspired by bush tucker. Adam's main expertise is in non profit organisation management, leadership development, executive coaching, training and development, workshop facilitation, and strategic planning.

Special responsibilities: Nil

Interest in shares: Nil

### **Lyndall Briony Sank**

Director

Occupation: General Manager

Qualifications, experience and expertise: Lyndall has had over 15 years as a senior finance professional, most recently the General Manager, Integration for CSR Bradford, working with newly acquired businesses to implement CSR's policies, processes and systems. Lyndall is an active member of Clovelly Surf Life Saving Club.

Special responsibilities: Member of the Audit & Governance committee.

Interest in shares: Nil

# Directors' report (continued)

## Directors (continued)

### Alison Cunniffe

Director

Occupation: Financial Services Adviser, Corporate Sustainability

Qualifications, experience and expertise: Alison has a Diploma of Financial Services from the Financial Services Institute of Australasia. Alison is a corporate sustainability specialist with over 15 years experience in the financial services industry, focused on infrastructure and community investment sectors.

Special responsibilities: Member of the Audit & Governance committee.

Member of the Marketing 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 role is jointly shared by Janet May Kidson (appointed 2 June 2003) and Jonathan Henry Hancock (appointed 14 April 2010). Their qualifications and experience are outlined in the List of Directors at the beginning of this report.

## Principal Activities

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

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

## Operating results

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

Year ended 30 June 2016	Year ended 30 June 2015
\$	\$
116,386	59,222

## Dividends

	Year ended 30 June 2016	
	Cents	\$
Dividends paid in the year	8	50,423

## 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.



# Directors' report (continued)

## 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		Committee Meetings Attended					
			Audit & Governance		Marketing		Human Resources	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Michael De Navi	11	10	-	-	-	-	N/A	N/A
Jonathan Hancock	11	11	-	-	-	-	N/A	N/A
Janet Kidson	11	10	6	6	7	6	N/A	N/A
Andrew Winters	11	10	-	-	-	-	N/A	N/A
William O'Connell	11	10	-	-	7	7	N/A	N/A
Adam Davids	11	5	-	-	-	-	N/A	N/A
Lyndall Sank	11	9	6	3	-	-	N/A	N/A
Alison Cunniffe	11	10	6	6	7	5	N/A	N/A

## 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.

# Directors' report (continued)

---

## **Non audit services**

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

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

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

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

## **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

Signed in accordance with a resolution of the board of directors at Clovelly, NSW on 2nd September 2016.



**Michael Joseph De Navi,**  
**Chairman**

# Auditor's independence declaration

---



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

As lead auditor for the audit of Clovelly Community 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.

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

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated: 2 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.

P: (03) 5443 0344

F: (03) 5443 5304

61-65 Bull St./PO Box 454 Bendigo Vic. 3552

afs@afsbendigo.com.au

www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

# Financial statements

---

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

	Notes	2016 \$	2015 \$
Revenue from ordinary activities	4	1,103,066	1,065,598
Employee benefits expense		(594,182)	(539,462)
Charitable donations, sponsorship, advertising and promotion		(96,046)	(178,848)
Occupancy and associated costs		(27,822)	(25,181)
Systems costs		(16,260)	(16,716)
Depreciation and amortisation expense	5	(46,483)	(56,887)
Finance costs	5	(39,890)	(49,748)
General administration expenses		(117,107)	(112,594)
<b>Profit before income tax expense</b>		<b>165,276</b>	<b>86,162</b>
Income tax expense	6	(48,890)	(26,940)
<b>Profit after income tax expense</b>		<b>116,386</b>	<b>59,222</b>
<b>Total comprehensive income for the year</b>		<b>116,386</b>	<b>59,222</b>
<b>Earnings per share for profit attributable to the ordinary shareholders of the company:</b>			
		¢	¢
Basic earnings per share	23	18.47	9.40

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Balance Sheet as at 30 June 2016

	Notes	2016 \$	2015 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	203,363	167,696
Trade and other receivables	8	116,537	88,420
Current tax asset	11	-	2,934
<b>Total Current Assets</b>		<b>319,900</b>	<b>259,050</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	1,503,903	1,536,164
Intangible assets	10	11,553	23,107
Deferred tax asset	11	20,145	20,357
<b>Total Non-Current Assets</b>		<b>1,535,601</b>	<b>1,579,628</b>
<b>Total Assets</b>		<b>1,855,501</b>	<b>1,838,678</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	90,573	61,716
Current tax liabilities	11	14,026	-
Borrowings	13	149,590	149,590
Provisions	14	58,101	44,972
<b>Total Current Liabilities</b>		<b>312,290</b>	<b>256,278</b>
<b>Non-Current Liabilities</b>			
Borrowings	13	604,240	709,841
Provisions	14	29,276	28,827
<b>Total Non-Current Liabilities</b>		<b>633,516</b>	<b>738,668</b>
<b>Total Liabilities</b>		<b>945,806</b>	<b>994,946</b>
<b>Net Assets</b>		<b>909,695</b>	<b>843,732</b>
<b>Equity</b>			
Issued capital	15	630,284	630,284
Retained earnings	16	279,411	213,448
<b>Total Equity</b>		<b>909,695</b>	<b>843,732</b>

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 \$	Retained earnings \$	Total equity \$
<b>Balance at 1 July 2014</b>	<b>630,284</b>	<b>204,649</b>	<b>834,933</b>
<b>Total comprehensive income for the year</b>	-	<b>59,222</b>	<b>59,222</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(50,423)	(50,423)
<b>Balance at 30 June 2015</b>	<b>630,284</b>	<b>213,448</b>	<b>843,732</b>
<b>Balance at 1 July 2015</b>	<b>630,284</b>	<b>213,448</b>	<b>843,732</b>
<b>Total comprehensive income for the year</b>	-	<b>116,386</b>	<b>116,386</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(50,423)	(50,423)
<b>Balance at 30 June 2016</b>	<b>630,284</b>	<b>279,411</b>	<b>909,695</b>

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 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,192,924	1,064,107
Payments to suppliers and employees		(928,164)	(854,411)
Interest received		1,126	1,672
Interest paid		(39,890)	(49,748)
Income taxes (paid) / refund received		(31,718)	5,569
<b>Net cash provided by operating activities</b>	<b>17</b>	<b>194,278</b>	<b>167,189</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(2,668)	(17,491)
<b>Net cash used in investing activities</b>		<b>(2,668)</b>	<b>(17,491)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(105,600)	(97,994)
Dividends paid		(50,343)	(51,792)
<b>Net cash used in financing activities</b>		<b>(155,943)</b>	<b>(149,786)</b>
<b>Net increase/(decrease) in cash held</b>		<b>35,667</b>	<b>(88)</b>
Cash and cash equivalents at the beginning of the financial year		167,696	167,784
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<b>203,363</b>	<b>167,696</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

---

For year ended 30 June 2016

These consolidated financial statements and notes represent those of Clovelly Community Financial Services Limited and its controlled entity Clovelly Community Property Holdings Pty Ltd (the “group”).

The separate financial statements of the parent entity, Clovelly Community Financial Services Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

Clovelly Community Financial Services Limited (“the company”) is a company limited by shares, incorporated and domiciled in Australia.

## 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.



# 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)

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.

	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**<sup>®</sup> branch at Clovelly.

# 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)

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**<sup>®</sup> branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**<sup>®</sup> branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

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

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide 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**<sup>®</sup> 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**<sup>®</sup> branch
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

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

### b) Revenue

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

Revenue calculation

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

# Notes to the financial statements (continued)

---

## Note 1. Summary of significant accounting policies (continued)

### b) Revenue (continued)

#### Revenue calculation (continued)

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. 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. This will include changes to the financial return for **Community Bank**<sup>®</sup> companies that have moved to the new franchise agreement. The company has elected to remain on the current franchise agreement, which runs until 29 June 2017 with an option to roll over for a further five years.

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.

# Notes to the financial statements (continued)

---

## Note 1. Summary of significant accounting policies (continued)

### b) Revenue (continued)

#### Fee income

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

#### Ability to change financial return

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

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

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.

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).

# Notes to the financial statements (continued)

---

## 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 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.

### Taxation

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

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

# Notes to the financial statements (continued)

---

## Note 3. Critical accounting estimates and judgements (continued)

### Taxation (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.

### 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.

### Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

# Notes to the financial statements (continued)

## Note 3. Critical accounting estimates and judgements (continued)

### Fair value measurement (continued)

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

	2016 \$	2015 \$
--	------------	------------

## Note 4. Revenue from ordinary activities

### Operating activities:

- services commissions	1,100,657	1,063,926
- other revenue	1,283	-
<b>Total revenue from operating activities</b>	<b>1,101,940</b>	<b>1,063,926</b>

### Non-operating activities:

- interest received	1,126	1,672
<b>Total revenue from non-operating activities</b>	<b>1,126</b>	<b>1,672</b>
<b>Total revenues from ordinary activities</b>	<b>1,103,066</b>	<b>1,065,598</b>

## Note 5. Expenses

### Depreciation of non-current assets:

- plant and equipment	3,684	17,601
- buildings	24,934	24,935
- leasehold improvements	6,311	2,797

### Amortisation of non-current assets:

- franchise agreement	11,554	11,554
	<b>46,483</b>	<b>56,887</b>

### Finance costs:

- interest paid	39,890	49,748
<b>Bad debts</b>	<b>202</b>	<b>364</b>

## Note 6. Income tax expense

### The components of tax expense comprise:

- Current tax	47,874	27,132
- Movement in deferred tax	-	(192)
- Adjustment to deferred tax to reflect change to tax rate in future periods	1,016	-
	<b>48,890</b>	<b>26,940</b>

## Notes to the financial statements (continued)

	Note	2016 \$	2015 \$
Note 6. Income tax expense (continued)			
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows			
Operating profit		165,276	86,162
Prima facie tax on profit from ordinary activities at 28.5% (2015: 30%)		47,104	25,849
Add tax effect of:			
- non-deductible expenses		770	1,091
- timing difference expenses		2,821	192
		<b>50,695</b>	<b>27,132</b>
Movement in deferred tax	11	(2,821)	(192)
Adjustment to deferred tax to reflect change of tax rate in future periods		1,016	-
		<b>48,890</b>	<b>26,940</b>

### Note 7. Cash and cash equivalents

Cash at bank and on hand	142,846	167,696
Term deposits	60,517	-
	<b>203,363</b>	<b>167,696</b>

#### 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	142,846	167,696
Term deposits	60,517	-
	<b>203,363</b>	<b>167,696</b>

### Note 8. Trade and other receivables

Trade receivables	99,725	82,365
Prepayments	16,692	5,935
Other receivables and accruals	120	120
	<b>116,537</b>	<b>88,420</b>

## Notes to the financial statements (continued)

	2016 \$	2015 \$
<b>Note 9. Property, plant and equipment</b>		
Land and buildings		
Freehold land		
<b>At cost</b>	<b>591,403</b>	<b>591,403</b>
Buildings		
At cost	997,389	997,389
Less accumulated depreciation	(99,739)	(74,805)
	<b>897,650</b>	<b>922,584</b>
Leasehold improvements		
At cost	238,243	238,243
Less accumulated depreciation	(233,059)	(226,748)
	<b>5,184</b>	<b>11,495</b>
Plant and equipment		
At cost	36,975	34,307
Less accumulated depreciation	(27,309)	(23,625)
	<b>9,666</b>	<b>10,682</b>
<b>Total written down amount</b>	<b>1,503,903</b>	<b>1,536,164</b>
<b>Movements in carrying amounts:</b>		
Land at Cost	591,403	591,403
Buildings		
Carrying amount at beginning	922,584	947,519
Additions	-	-
Disposals	-	-
Less: depreciation expense	(24,934)	(24,935)
<b>Carrying amount at end</b>	<b>897,650</b>	<b>922,584</b>
Leasehold improvements		
Carrying amount at beginning	11,495	24,355
Additions	-	4,741
Disposals	-	-
Less: depreciation expense	(6,311)	(17,601)
<b>Carrying amount at end</b>	<b>5,184</b>	<b>11,495</b>

## Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 9. Property, plant and equipment (continued)		
Plant and equipment		
Carrying amount at beginning	10,682	729
Additions	2,668	12,750
Disposals	-	-
Less: depreciation expense	(3,684)	(2,797)
<b>Carrying amount at end</b>	<b>9,666</b>	<b>10,682</b>
<b>Total written down amount</b>	<b>1,503,903</b>	<b>1,536,164</b>

## Note 10. Intangible assets

Franchise fee		
At cost	57,768	57,768
Less: accumulated amortisation	(46,215)	(34,661)
	<b>11,553</b>	<b>23,107</b>
<b>Total written down amount</b>	<b>11,553</b>	<b>23,107</b>

## Note 11. Tax

### Current:

<b>Income tax payable/(refundable)</b>	<b>14,026</b>	<b>(2,934)</b>
--	---------------	----------------

### Non-Current:

Deferred tax assets		
- employee provisions	24,902	22,138
	<b>24,902</b>	<b>22,138</b>

Deferred tax liability		
- deductible prepayments	4,757	1,781
	<b>4,757</b>	<b>1,781</b>

<b>Net deferred tax asset</b>	<b>20,145</b>	<b>20,357</b>
-------------------------------	---------------	---------------

<b>Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income</b>	<b>212</b>	-
---	------------	---

## Note 12. Trade and other payables

### Current:

Other creditors and accruals	90,573	61,716
	<b>90,573</b>	<b>61,716</b>

## Notes to the financial statements (continued)

	2016 \$	2015 \$
--	------------	------------

### Note 13. Borrowings

#### Current:

Bank loans	149,590	149,590
	<b>149,590</b>	<b>149,590</b>

#### Non-Current:

Bank loans	604,240	709,841
	<b>604,240</b>	<b>709,841</b>

Bank loans are repayable monthly with the final instalment due on 6 June 2022. Interest is recognised at an average rate of 4.9% (2015: 4.94%). The loans are secured by a first registered mortgage over the freehold property owned by the Group.

	2016 \$	2015 \$
--	------------	------------

### Note 14. Provisions

#### Current:

Provision for annual leave	27,912	17,886
Provision for long service leave	30,189	27,086
	<b>58,101</b>	<b>44,972</b>

#### Non-Current:

<b>Provision for long service leave</b>	<b>29,276</b>	<b>28,827</b>
---	---------------	---------------

### Note 15. Contributed equity

630,284 ordinary shares fully paid (2015: 630,284)	630,284	630,284
	<b>630,284</b>	<b>630,284</b>

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.

# Notes to the financial statements (continued)

---

## Note 15. Contributed equity (continued)

### Rights attached to shares

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**<sup>®</sup> 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").

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.



## Notes to the financial statements (continued)

	2016 \$	2015 \$
<b>Note 16. Retained earnings</b>		
Balance at the beginning of the financial year	213,448	204,649
Net profit from ordinary activities after income tax	116,386	59,222
Dividends paid or provided for	(50,423)	(50,423)
<b>Balance at the end of the financial year</b>	<b>279,411</b>	<b>213,448</b>

## Note 17. Statement of cash flows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	116,386	59,222
Non cash items:		
- depreciation	34,929	45,333
- amortisation	11,554	11,554
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(28,116)	181
- (increase)/decrease in other assets	3,146	(192)
- increase in payables	28,775	13,471
- increase in provisions	13,578	4,919
- increase in current tax liabilities	14,026	32,701
<b>Net cash flows provided by operating activities</b>	<b>194,278</b>	<b>167,189</b>

## Note 18. Fair value measurement

This section explains the judgements and estimates made in determining the fair values of the company's assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the applicable assets have been classified into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

At 30 June 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Recurring fair value measurements:</b>				
Property, Plant and Equipment				
Freehold land	-	-	591,403	591,403
Buildings	-	-	897,650	897,650
Plant and equipment	-	-	14,850	14,850
	-	-	1,503,903	1,503,903
<b>Total assets at fair value</b>	<b>-</b>	<b>-</b>	<b>1,503,903</b>	<b>1,503,903</b>

# Notes to the financial statements (continued)

## Note 18. Fair value measurement (continued)

At 30 June 2015	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Recurring fair value measurements:</b>				
Property, Plant and Equipment				
Freehold land	-	-	591,403	591,403
Buildings	-	-	922,584	922,584
Plant and equipment	-	-	22,177	22,177
	-	-	1,536,164	1,536,164
<b>Total assets at fair value</b>	-	-	<b>1,536,164</b>	<b>1,536,164</b>

There were no transfers between Level 1 and Level 2 during the reporting period. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of available-for-sale financial assets traded in active markets is based on the quoted market price at the close of business at the end of the reporting period.

Level 2: The fair value of property, plant and equipment is based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.

Level 3: There were no fair value measurements by the Level 3 fair value hierarchy.

	2016 \$	2015 \$
--	------------	------------

## Note 19. Auditor's remuneration

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

- audit and review services (AFS)	1,500	-
- audit and review services (RSD)	2,290	5,275
- share registry services (AFS)	4,834	28
- other non audit services (AFS)	790	-
	<b>9,414</b>	<b>5,303</b>

## Note 20. Director and related party disclosures

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

Michael De Navi  
Jonathan Hancock  
Janet Kidson  
Andrew Winters  
William O'Connell  
Adam Davids  
Lyndall Sank  
Alison Cunniffe

## Notes to the financial statements (continued)

### 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
<b>Directors' shareholdings</b>		
Michael De Navi	1	1
Jonathan Hancock	1,000	1,000
Janet Kidson	11,000	11,000
Andrew Winters	1,000	1,000
William O'Connell	1,000	-
Adam Davids	-	-
Lyndall Sank	-	-
Alison Cunniffe	-	-

William O'Connell purchased 1,000 shares @ \$1 each in a private sale.

Full disclosure of Mr O'Connell's directorship was made at the time of purchase.

### Note 21. Dividends paid or provided

#### a. Dividends paid during the year

Current year dividend		
<b>100% (2015: 100%) franked dividend - 8 cents (2015: 8 cents) per share</b>	<b>50,423</b>	<b>50,423</b>
Dividends proposed will be franked at a rate of 28.5% (2015: 30%).		

#### b. Franking account balance

Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	246,336	234,716
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	14,026	(2,934)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
<b>Franking credits available for future financial reporting periods:</b>	<b>260,362</b>	<b>231,782</b>
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
<b>Net franking credits available</b>	<b>260,362</b>	<b>231,782</b>

# Notes to the financial statements (continued)

---

## Note 22. 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.

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>

## Note 23. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share

116,386	59,222
---------	--------

	<b>Number</b>	<b>Number</b>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	630,284	630,284

## Note 24. 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 25. 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 26. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**<sup>®</sup> services in Clovelly, NSW pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

## Note 27. 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:

The registered office and principle place of business is: 226 Clovelly Rd  
Clovelly NSW 2031

# Notes to the financial statements (continued)

## Note 28. 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 \$	2016 %	2015 %
<b>Financial assets</b>												
Cash and cash equivalents	-	-	60,517	-	-	-	-	-	142,846	167,696	0.44	0.45
Receivables	-	-	-	-	-	-	-	-	116,537	88,420	N/A	N/A
<b>Financial liabilities</b>												
Interest bearing liabilities	753,830	957,425	-	-	-	-	-	-	-	-	4.97	4.94
Payables	-	-	-	-	-	-	-	-	90,573	61,716	N/A	N/A

### Net Fair Values

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

### Credit Risk

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

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

### Interest Rate Risk

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

### Sensitivity Analysis

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

As at 30 June 2016, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

## Notes to the financial statements (continued)

---

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Note 28. Financial instruments (continued)		
Sensitivity Analysis (continued)		
Change in profit/(loss)		
Increase in interest rate by 1%	(6,933)	(9,574)
Decrease in interest rate by 1%	6,933	9,574
Change in equity		
Increase in interest rate by 1%	(6,933)	(9,574)
Decrease in interest rate by 1%	6,933	9,574

# Directors' declaration

---

In accordance with a resolution of the directors of Clovelly Community 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.



**Michael Joseph De Navi,**  
**Chairman**

Signed on the 2nd of September 2016.

# Independent audit report



## Independent auditor's report to the members of Clovelly Community Financial Services Limited

### Report on the financial report

We have audited the accompanying financial report of Clovelly Community 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.

P: (03) 5443 0344

F: (03) 5443 5304

61-65 Bull St./PO Box 454 Bendigo Vic. 3552

afs@afsbendigo.com.au

www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING



# Independent audit report (continued)

---

## Independence

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

## Auditor's opinion on the financial report

In our opinion:

1. The financial report of Clovelly Community 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: 2 September 2016



**David Hutchings**  
Lead Auditor

Clovelly **Community Bank**<sup>®</sup> Branch  
222-226 Clovelly Road, Coogee NSW 2034  
Phone: (02) 9665 0099 Fax: (02) 9665 0100

Franchisee: Clovelly Community Financial Services Ltd  
222-226 Clovelly Road, Coogee NSW 2034  
Phone: (02) 9665 0099 Fax: (02) 9665 0100  
ABN: 69 097 378 740

[www.bendigobank.com.au/clovelly](http://www.bendigobank.com.au/clovelly)  
(BNPAR16118) (09/16)

This Annual Report has been printed on 100% Recycled Paper



[bendigobank.com.au](http://bendigobank.com.au)

