

Annual Report 2016

Cobden & Districts
Community Finance Limited

ABN 84 117 781 049

Cobden & Districts **Community Bank**[®] Branch
Camperdown branch

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Chairman's report

For year ending 30 June 2016

It is with pleasure and admiration that I present the 11th Annual Report of Cobden & Districts Community Finance Limited.

The company is continuing to trade profitably and will continue to do so if all external factors stay the same. It has been a hard road, and will be for some time, but the difference we make now and the difference we see in the longer term for our local communities and success is something we must continually strive for.

It's pleasing to hear of all **Community Bank**[®] success stories around Australia. Today in excess of \$150 million has been given back to local communities from local **Community Bank**[®] branches. That's an enormous amount of community capital that must make a difference. I admire those communities and I want our community to be like them.

All we are talking about is sustainable community income for our community by just banking with your **Community Bank**[®] branch – the bank that stays relevant and connected to the community.

My admiration goes out to:

- our shareholders, who give us an opportunity to provide their banking
- our customers, who by just doing something as simple as banking with us
- our staff, who are more than just another bank's "staff members"
- our Board, who, day in day out freely sell the **Community Bank**[®] concept to our community
- our community supporters, who are growing in numbers every day.

Everyone can contribute to a successful and sustainable community – just through banking.

We still have many challenges to contend with as we now pass an era that has seen:

- The GFC continuing to provide many financial aftershocks
- Bendigo and Adelaide Bank Limited restoring the balance program
- Very slow economy particularly in local rural infrastructure and services
- Low interest rates
- Expansion to other areas such as Terang, Derrinallum, Timboon and Mortlake.

We have still managed to grow the business to have in excess of \$110 million in footings and growing daily. However, we need to be mindful of what some of the threats and risks we may see in the next few years; namely, Funds Transfer Pricing (method of calculating our revenue) system by BBL that may see our profitability reduce or increase. Time will tell.

Our community balance sheet is something that I am very proud of and it needs to be recorded here.

- It's this local **Community Bank**[®] company Board who decide where the funds go, and it's all about engaging and strengthening our communities
- Over 90 local clubs and organisations have received a benefit from our **Community Bank**[®] branches
- Over \$400,000 has been given directly back to the local community by way of grants, sponsorship, and donations by the Board's sponsorship programs
- This sponsorship program will grow in value approximately \$70,000 plus every year
- We have three long term partnerships with the Cobden District Health Services Inc, Cobden Rotary with the Business Awards and the Cobden Recreation Reserve Committee of Management (in conjunction with the sporting clubs involved)

Chairman's report (continued)

- Operation of two branches, one in Cobden and one in Camperdown
- Opportunity for long-term agency development in Port Campbell
- The direct employment of eight local community members
- Provision of a dividend to our shareholders for the third year in a row
- We disperse locally, local capital from **Community Bank**[®] company profits
- Provide a local competitive landscape
- This all helps to strengthen the community commitment.

Where to from here? Well the formula is simple, more customers and more funds under management = increased local profits (that would go elsewhere if not with the **Community Bank**[®] branch) = more local community investment.

Our staff advise us, from their analysis of our accounts, that we currently have approximately 48% of our shareholders who substantially bank with us, 15% who have a minimal engagement with us and a disappointing 37% who have no banking with us at all. We need to work harder in selling our message and the reason for existence, (even to those who originally supported us).

To provide quality banking services to benefit our shareholders and our community.

The Board has an enormous depth of commitment to the company, partnered by a great vision for the community. They continue to be proactive in ensuring the business continues to achieve the best outcomes for our shareholders, customers, staff and the company.

To, Margret McDonald our Company Secretary we thank you for your time and diligence to ensure that we are operating correctly and efficiently. To our Treasurer, Milton Parlour and Gary Kimber, our Vice Chairman have both performed extremely well representing our organisation at many clubs and groups throughout the year, Greg Suter, Peter Giblett, Milton Parlour, Rob Fleming, Gary Kimber, Chris Bodey, and our newest Members Simon Buccheri, Bill Duncanson and Steffi Morris, who all come with good business and community resumes, and I thank you all for another good year and I look forward to working with you all again.

We had Simon take 12 months leave due to a working holiday opportunity in Europe and look forward to his continuance of dedicated service to the **Community Bank**[®] concept.

Our committed staff with our Manager Neil Hinkley, and staff members, Dianne Van Heusden, Margaret McMaster, Wendy Bateman, Vicki Fitzgerald, Sharon Savage, Sally Mahony, and Lesa Best have, and will, continue to grow our business. I thank them for their work, dedication, and 'can do' attitude towards our company. We need to also thank them for their volunteer time they provide to the community via the company committees they serve on and the community functions they attend. Our staff make it more than just another bank. Our staff and Board owe an enormous amount to State Bendigo Bank staff with Tim Rodda and all. Also our regional partners, with our former Regional Manager Scott Whatley, our Business Banking Manager Brenton Morgan and staff, Agribusiness Manager Rowan Blair, and regional staff Tamie Haley. These people have been there when we needed them and have helped out before we asked and have been a great asset to our company. We are **Bigger than a bank**.



James Green
Chairman

Manager's report

For year ending 30 June 2016

Ten years old - what a great achievement and one I am very proud to be a part of. Yes we are here for the long haul. If your family and friends haven't already, please encourage them to come in and treat themselves to the **Community Bank**[®] experience.

I wish to acknowledge and thank our hard working loyal staff members Margaret McMaster, Dianne Van Heusden, Wendy Bateman, Sharon Savage and from our Camperdown office, Lesa Best, Vicki Fitzgerald and Sally Mahony. Their endeavours to provide an unparalleled level of customer service to customers and potential customers has been rewarding to all, the feedback I receive confirms this high level of service given.

Total business between both sites now sits in excess of \$110 million with 3,834 accounts held, what a great result.

Thank you to our Regional Office Support Team over the past 12 months, led by Regional Manager Scott Whatley for their support and guidance.

Bendigo and Adelaide Bank is continually developing a wider range of products and services to meet the ever-changing banking environment in which we operate. We offer a full range of banking services and have specialists in many areas, coupled with the branch and electronic delivery systems available, we can genuinely offer all your banking solutions including insurances.

To our Business Banking Support Team ably led by Brenton Morgan, thank you for your support, also special thanks to Agri-Manager Rowan Blair for his assistance over the past 12 months.

To our dedicated Board Members led by Chairman James Green, thank you for your time, expertise and energy to ensure the future of the **Community Bank**[®] branches in both towns.

Going forward we need to continue the growth of our business and I urge all shareholders to consider your branch for all your banking needs.

As mentioned previously as shareholders, customers, staff and Board members we have one common goal; to continue and grow the total business to become a strong profitable organisation which gives generous and consistent support to the community.



Neil Hinkley
Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2016

It's been 18 years since Bendigo Bank and two rural communities announced they were joining forces to open **Community Bank**[®] branches.

The initial aim was to return traditional bank branches to regional communities.

It was soon obvious that the 'community' aspect of this unique banking model was going to be just as important to all types of communities; whether they are rural, regional or urban.

Today, there are 312 **Community Bank**[®] communities in every state and territory of Australia.

The statistics are impressive:

- More than \$148 million in community contributions returned to local communities
- 1,900 Directors
- 1,500 staff
- More than \$38 million in shareholder dividends.

Yes, these figures are staggering.

But dig a little deeper and what's more significant is that social issues affecting every community in Australia have received funding from **Community Bank**[®] companies.

- Aged care
- Youth disengagement
- Homelessness
- Domestic and family violence
- Mental health
- Unemployment
- Environment

I have no doubt that your **Community Bank**[®] company has already had a role to play, either in a funding grant, sponsorship support or connecting locals with relevant government, corporate and not-for-profit organisations.

Behind every **Community Bank**[®] branch is a company Board of Directors. These people are local mums and dads, tradespeople, small business operators, farmers, lawyers, accountants, school teachers, office workers... and the list goes on.

As **Community Bank**[®] company Directors they volunteer their time, their professional expertise and their local knowledge to make your **Community Bank**[®] branch the success it is today.

To every single one of our 1,900-plus **Community Bank**[®] company Directors, thank you for your commitment, your confidence in Bendigo and Adelaide Bank and your vision to make your community a better place to live.

As a **Community Bank**[®] community, you're all change makers.

As a shareholder, you're critical to helping make things happen for the benefit of your community.

On behalf of Bendigo Bank, thank you.

Thank you for your support as a shareholder, your belief in your community and your faith in what a **Community Bank**[®] community can achieve.



Robert Musgrove
Executive Community Engagement

Community investment

List of community organisations to whom **Community Bank**[®] branch has provided a community investment.

2006 to June 2015

1st Cobden Scout Group	Cobden Amateur Angling Club Inc	Nirranda Football Netball Club Inc
Advance Camperdown	Cobden Art Club (CDHS)	Noorat Agricultural Society
Ban the Bulb Project	Cobden Bowling Club	Port Campbell Surf Life Saving Club
Beacon Newsletter	Cobden District Health Services	Port Campbell Police
Bookar Cricket Club	Cobden District Pony Club	Port Campbell Progress Group
Camperdown Ambulance aux.	Cobden Fire Brigade	Progressing Cobden Inc
Camperdown Angling Club	Cobden Football Netball Club	Probus Club of Camperdown
Camperdown Bowling Club	Cobden Golf Club Inc	Probus Club of Cobden
Camperdown College	Cobden Junior Football Club	Relay for Life
Camperdown Community House	Cobden Men's Shed	Rotary Club of Camperdown
Camperdown Community Stadium	Cobden Playgroup	Rotary Club of Cobden
Camperdown Cruise Inc	Cobden Primary School	Shine for life Church
Camperdown Cycling Club	Cobden Recreation Reserve	Simpson & District Community Centre
Camperdown Fire Brigade	Cobden Safety House Committee	Simpson Indoor Bias Bowls Club
Camperdown Football Netball Club	Cobden Squash Club	Simpson Football Netball Club
Camperdown Girl Guides	Cobden Swimming and Life saving Club	Simpson Kindergarten
Camperdown Golf Bowls Club	Cobden Technical School	Skipton & District Camp draft Club
Camperdown Lions Club	Cobden Play Group	South West Cricket Association
Camperdown Playgroup Inc	Cobden Quota	South West Kart Club
Camperdown Pre-School Assoc.	Cooinda Terang	South Western District Restoration Group
Camperdown SES	Corangamite Junior Hockey Association	Southwest Healthcare Camperdown
Camperdown Theatre Co. Ltd	Corangamite Model Aircraft Club	St Patricks School
Camperdown Toy Library	Derrinallum College	Uniting Church in Camperdown
Camperdown Traders Night	Derrinallum Yacht & Power Boat Club	Variety Club of Victoria
Cancer Council Vic	Hampden Tennis Associati	YMCA
Cobden & District Health Services	Heytesbury Agricultural Society	Yachting Western Victoria
Cobden & District Kindergarten	Heytesbury Indoor Bias Bowls Assoc.	
Cobden & District Historical Society	Lismore Primary School	
Cobden & District Pony Club	Mercy Regional College	
Cobden Aero Club		
Cobden Airport Committee of Management		

Community investment (continued)

July 2015 to June 2016

Progressing Cobden Inc

Camperdown Angling Club Inc

1st Cobden Scout Group

Rotary Club of Cobden

Cobden District Health Services Inc

Camperdown Timboon Rail Trail Committee

Camperdown P & A Society

Hampden Tennis Association

Cobden Recreation Reserve COM

Camperdown Golf Bowls Club

Cobden Bowling club

Camperdown & Dist Community House

Cobden Football Netball Club Inc

Probus Club of Camperdown

Probus Club of Cobden

Camperdown, Cobden and Terang Police Defib for Life

Uniting Church in Australia Camperdown

Corangamite Shire

Cobden Golf Club Inc

Cobden & District Health Services

Camperdown College

Cobden rotary Business Excellence Award

Corangamite Sportsmens Club Inc.

Camperdown bowling Club Inc

Market to Mount Fun Run

South West Cricket Association

Camperdown Football Netball Club

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:

James Alfred Green

Chairman

Occupation: Managing Director GreenCon Australia Pty Ltd

Qualifications, experience and expertise: Bachelor of Engineering, GAICD, MIEA. Current board member Hampden Football Netball League Inc, Port Campbell Surf Life Saving Club Inc. Past President APEX Victoria, Cobden Football Netball Club Inc and Cobden Safety House.

Special responsibilities: Chairman

Interest in shares: 3,001

Gary Kenneth Kimber

Deputy Chairman

Occupation: Retired

Qualifications, experience and expertise: Bachelor of Education. Retired School Principal. Member of Rotary, Cobden Men's Shed, Corangamite 3UA.

Special responsibilities: Community Investment Committee, Staff & Director Liaison, Innovations Committee

Interest in shares: 1,000

Simon Charles Buccheri

Treasurer

Occupation: Accountant

Qualifications, experience and expertise: Bachelor of Business, Certified Practising Accountant. Finance Manager of The Vet Group Pty Ltd.

Special responsibilities: Finance & Audit Committee

Interest in shares: Nil

Margaret Emily McDonald

Secretary

Occupation: Retired

Qualifications, experience and expertise: Legal Conveyancing Clerk for 30 years.

Special responsibilities: Community Investment Committee, Share Registry, Low Volume Market.

Interest in shares: 1,001

Gregory Leigh Suter

Director

Occupation: Cabinet Maker

Qualifications, experience and expertise: Self Employed Cabinet Maker, Member of Cobden Business Network, Progressing Cobden Inc.

Special responsibilities: Buildings & Maintenance Committee, Innovations Committee

Interest in shares: 1

Directors' report (continued)

Directors (continued)

Milton John Parlour

Director

Occupation: Real Estate Agent

Qualifications, experience and expertise: Currently acting Treasurer of Cobden & Districts Community Finance Limited. Co-Convenor of Progressing Cobden Inc and a member of all sub-committees. Vice President of Cobden & District Tennis Association.

Special responsibilities: Finance & Audit Committee, Business Development Committee

Interest in shares: 2,001

Robert Raymond Fleming

Director

Occupation: Retired

Qualifications, experience and expertise: Current member of Camperdown Lions Club. Life Member Camperdown APEX Club.

Special responsibilities: Business Development Committee, Community Investment Committee

Interest in shares: Nil

Rodney Peter Giblett

Director

Occupation: Retired

Qualifications, experience and expertise: 30 years of experience in Banking, 20 years as a manager.

Special responsibilities: Community Investment Committee

Interest in shares: Nil

Norman William Duncanson

Director

Occupation: Retired

Qualifications, experience and expertise: Current Treasurer Lions Eye Health Program Australia, Trustee of Lions Charitable Fund, District Co-ordinator Lions Centennial Celebrations 2017, Member Lions Clubs International. Diploma Food Technology. Cert IV Industry Training & Assessment.

Special responsibilities: Community Investment Committee, Business Development Committee.

Interest in shares: Nil

Steffi Brigit Morris

Director

Occupation: Business Owner

Qualifications, experience and expertise: Bachelor of Social Work (1st Class Honours). Owner of local small business The Blue Wren.

Special responsibilities: Innovations Committee

Interest in shares: Nil

Christopher Raymond Bodey

Director

Occupation: Farmer

Qualifications, experience and expertise: Member of Cobden Airport Committee of Management, CFA Captain. Past President United Dairyfarmers of Victoria Branch. Past Cobden Technical School Councillor.

Special responsibilities: Business Development Committee

Interest in shares: 1,000

Directors' report (continued)

Directors (continued)

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 Margaret McDonald. Margaret was appointed to the position of secretary on 28 October 2008.

Margaret has had 30 years experience as a Legal Conveyancing Clerk.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2016 \$	Year ended 30 June 2015 \$
30,398	43,264

Dividends

	Year ended 30 June 2016	
	Cents	\$
Dividends paid in the year:	2	14,500

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' report (continued)

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							
			Finance & Audit		Community Investment		Business Development		Innovations	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
James Alfred Green #	12	9	12	8	12	2	11	1	7	5
Gary Kenneth Kimber	12	10	-	-	6	6	-	-	7	7
Simon Charles Buccheri ^	8	7	6	6	-	-	-	-	-	-
Margaret Emily McDonald	12	10	-	-	12	6	-	-	-	-
Gregory Leigh Suter	12	9	-	-	-	-	-	-	7	6
Milton John Parlour	12	11	12	10	-	-	4	3	-	-
Robert Raymond Fleming	12	9	-	-	6	2	6	1	-	-
Norman William Duncanson	12	11	-	-	8	8	4	3	-	-
Steffi Brigit Morris	12	10	-	-	-	-	-	-	7	6
Christopher Raymond Bodey	12	12	-	-	-	-	11	11	-	-
Rodney Peter Giblett	12	7	-	-	8	2	-	-	-	-

Chairman is eligible to attend all sub-committee meetings however the chairman attends sub-committee meetings on an as needs basis.

^ On leave from February 2016 to February 2017

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 finance & audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.


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

- all non-audit services have been reviewed by the finance & audit 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 13.

Signed in accordance with a resolution of the board of directors at Cobden, Victoria on 26 August 2016.



James Alfred Green,
Chairman

Auditor's independence declaration



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Cobden & Districts Community Finance Limited

As lead auditor for the audit of Cobden & Districts Community Finance 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: 26 August 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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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	789,768	766,070
Employee benefits expense		(395,846)	(388,165)
Charitable donations, sponsorship, advertising and promotion		(93,516)	(79,459)
Occupancy and associated costs		(35,783)	(30,937)
Systems costs		(35,632)	(34,575)
Depreciation and amortisation expense	5	(33,856)	(34,300)
Finance costs	5	(19,658)	(26,362)
General administration expenses		(130,965)	(91,807)
Profit before income tax expense		44,512	80,465
Income tax expense	6	(14,114)	(37,201)
Profit after income tax expense		30,398	43,264
Total comprehensive income for the year		30,398	43,264
Earnings per share for loss attributable to the ordinary shareholders of the company:			
		¢	¢
Basic earnings per share	22	4.19	5.97

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			
Trade and other receivables	7	64,940	74,428
Total Current Assets		64,940	74,428
Non-Current Assets			
Property, plant and equipment	8	384,451	400,422
Intangible assets	9	70,781	20,885
Deferred tax asset	10	211,259	225,373
Total Non-Current Assets		666,491	646,680
Total Assets		731,431	721,108
LIABILITIES			
Current Liabilities			
Trade and other payables	11	55,268	37,934
Borrowings	12	57,940	28,392
Provisions	13	43,475	43,044
Total Current Liabilities		156,683	109,370
Non-Current Liabilities			
Trade and other payables	11	44,735	-
Borrowings	12	370,000	470,050
Provisions	13	9,299	6,872
Total Non-Current Liabilities		424,034	476,922
Total Liabilities		580,717	586,292
Net Assets		150,714	134,816
Equity			
Issued capital	14	698,455	698,455
Accumulated losses	15	(547,741)	(563,639)
Total Equity		150,714	134,816

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	698,455	(592,403)	106,052
Total comprehensive income for the year	-	43,264	43,264
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(14,500)	(14,500)
Balance at 30 June 2015	698,455	(563,639)	134,816
Balance at 1 July 2015	698,455	(563,639)	134,816
Total comprehensive income for the year	-	30,398	30,398
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(14,500)	(14,500)
Balance at 30 June 2016	698,455	(547,741)	150,714

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		867,617	842,473
Payments to suppliers and employees		(762,957)	(700,262)
Interest received		-	6
Interest paid		(19,658)	(26,362)
Net cash provided by operating activities	16	85,002	115,855
Cash flows from investing activities			
Payments for property, plant and equipment		-	(4,252)
Payments for intangible assets		-	(24,158)
Net cash used in investing activities		-	(28,410)
Cash flows from financing activities			
Repayment of borrowings		(100,050)	(105,612)
Dividends paid		(14,500)	(14,500)
Net cash used in financing activities		(114,550)	(120,112)
Net decrease in cash held		(29,548)	(32,667)
Cash and cash equivalents at the beginning of the financial year		(28,392)	4,275
Cash and cash equivalents at the end of the financial year	12(a)	(57,940)	(28,392)

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**[®] branches at Cobden & Camperdown.

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**[®] branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**[®] branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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**[®] branches franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

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

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.

Taxation

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Taxation (continued)

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

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

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- services commissions	789,768	766,064
Total revenue from operating activities	789,768	766,064
Non-operating activities:		
- interest received	-	6
Total revenue from non-operating activities	-	6
Total revenues from ordinary activities	789,768	766,070

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	1,941	1,990
- leasehold improvements	11,746	12,142
- buildings	2,284	2,284

Amortisation of non-current assets:

- franchise agreement	6,314	6,314
- franchise renewal fee	11,571	11,570
	33,856	34,300

Finance costs:

- interest paid	19,658	26,362
- Bad debts	-	61

Note 6. Income tax expense

The components of tax expense comprise:

- Movement in deferred tax	809	(3,642)
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	11,862
- Recoupment of prior year tax losses	13,305	28,981
	14,114	37,201

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

Operating profit	44,512	80,465
Prima facie tax on profit from ordinary activities at 28.5% (2015: 30%)	12,686	24,140

Notes to the financial statements (continued)

	Note	2016 \$	2015 \$
Note 6. Income tax expense (continued)			
Add tax effect of:			
- non-deductible expenses		1,428	1,200
- timing difference expenses		(809)	3,641
		13,305	28,981
Movement in deferred tax	10	809	(3,642)
Adjustment to deferred tax to reflect change of tax rate in future periods		-	11,862
		14,114	37,201

Note 7. Trade and other receivables

Trade receivables		43,693	58,876
Prepayments		21,247	15,552
		64,940	74,428

Note 8. Property, plant and equipment

Land and buildings

Freehold land

At cost		49,252	49,252
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Buildings

At cost		91,366	91,366
Less accumulated depreciation		(10,644)	(8,360)
		80,722	83,006

Leasehold improvements

At cost		318,358	318,358
Less accumulated depreciation		(93,809)	(82,063)
		224,549	236,295

Plant and equipment

At cost		52,889	52,889
Less accumulated depreciation		(22,961)	(21,020)
		29,928	31,869

Total written down amount		384,451	400,422
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Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 8. Property, plant & equipment (continued)		
Movements in carrying amounts		
Land		
Carrying amount at beginning	49,252	45,000
Additions	-	4,252
Carrying amount at end	49,252	49,252
Buildings		
Carrying amount at beginning	83,006	85,290
Less: depreciation expense	(2,284)	(2,284)
Carrying amount at end	80,722	83,006
Leasehold improvements		
Carrying amount at beginning	236,295	248,437
Less: depreciation expense	(11,746)	(12,142)
Carrying amount at end	224,549	236,295
Plant and equipment		
Carrying amount at beginning	31,869	33,859
Less: depreciation expense	(1,941)	(1,990)
Carrying amount at end	29,928	31,869
Total written down amount	384,451	400,422

Note 9. Intangible assets

Franchise fee		
At cost	52,867	41,570
Less: accumulated amortisation	(38,570)	(32,256)
	14,297	9,314
Renewal processing fee		
At cost	114,337	57,853
Less: accumulated amortisation	(57,853)	(46,282)
	56,484	11,571
Total written down amount	70,781	20,885

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 10. Tax		
Non-Current:		
Deferred tax assets		
- employee provisions	15,041	14,226
- tax losses carried forward	202,274	215,579
	217,315	229,805
Deferred tax liability		
- deductible prepayments	6,056	4,432
	6,056	4,432
Net deferred tax asset	211,259	225,373
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	14,114	37,201

Note 11. Trade and other payables

Current:

Trade creditors	35,580	13,566
Other creditors and accruals	19,688	24,368
	55,268	37,934

Non-Current:

Other creditors and accruals	44,735	-
	44,735	-

Note 12. Borrowings

Current:

Bank overdrafts	57,940	28,392
	57,940	28,392

Non-Current:

Bank loans	370,000	470,050
	370,000	470,050

The bank overdraft has an approved limit of \$100,000 and attracts an interest rate of 4.285% (2015: 4.23%) per agreement with Bendigo and Adelaide Bank Limited. The overdraft is secured by a fixed floating charge over the company's assets.

The bank loan matures on 8 March 2017 and was interest only for the first two years up until March 2014. Interest is now recognised at an average rate of 4.285% (2015: \$4.23%). The loan is secured by a fixed charge over the property at 151 Manifold Street, Camperdown.

Notes to the financial statements (continued)

	2016 \$	2015 \$
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Note 12. Borrowings (continued)

Note 12a. 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:

Bank overdraft	(57,940)	(28,392)
	(57,940)	(28,392)

Note 13. Provisions

Current:

Provision for annual leave	20,322	22,129
Provision for long service leave	23,153	20,915
	43,475	43,044

Non-Current:

Provision for long service leave	9,299	6,872
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Note 14. Contributed equity

725,012 ordinary shares fully paid (2015: 725,012)	725,012	725,012
Less: equity raising expenses	(26,557)	(26,557)
	698,455	698,455

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.

Notes to the financial statements (continued)

Note 14. Contributed equity (continued)

Rights attached to shares (continued)

(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 302. As at the date of this report, the company had 325 shareholders.

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

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

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

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

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 15. Accumulated losses		
Balance at the beginning of the financial year	(563,639)	(592,403)
Net profit from ordinary activities after income tax	30,398	43,264
Dividends paid or provided for	(14,500)	(14,500)
Balance at the end of the financial year	(547,741)	(563,639)

Note 16. 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	30,398	43,264
Non cash items:		
- depreciation	15,971	16,416
- amortisation	17,885	17,884
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(5,424)	565
- (increase)/decrease in other assets	14,114	37,201
- increase/(decrease) in payables	9,200	(10,034)
- increase/(decrease) in provisions	2,858	10,559
- increase/(decrease) in current tax liabilities	-	-
Net cash flows provided by operating activities	85,002	115,855

Note 17. 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	15,701	15,440
- between 12 months and 5 years	62,805	-
- greater than 5 years	-	-
	78,506	15,440

The operating lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance.

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 18. Auditor's remuneration		
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	5,100	4,950
- other non audit services	290	805
	5,390	5,755

Note 19. Director and related party disclosures

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

James Alfred Green
 Gary Kenneth Kimber
 Simon Charles Buccheri
 Margaret Emily McDonald
 Gregory Leigh Suter
 Milton John Parlour
 Robert Raymond Fleming
 Norman William Duncanson
 Steffi Brigit Morris
 Christopher Raymond Bodey
 Rodney Peter Giblett

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

	2016	2015
Directors' shareholdings		
James Alfred Green	3,001	3,001
Gary Kenneth Kimber	1,000	1,000
Simon Charles Buccheri	-	-
Margaret Emily McDonald	1,001	1,001
Gregory Leigh Suter	1	1
Milton John Parlour	2,001	2,001
Robert Raymond Fleming	-	-
Norman William Duncanson	-	-
Steffi Brigit Morris	-	-
Christopher Raymond Bodey	1,000	1,000
Rodney Peter Giblett	-	-

There was no movement in directors shareholdings during the year.

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 20. Dividends paid or provided		
a. Dividends paid during the year		
Current year dividend		
Unfranked dividend - 2 cents (2015: Unfranked 2 cents) per share	14,500	14,500

Note 21. Key Management Personnel Disclosures

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

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

	2016 \$	2015 \$
Note 22. Earnings per share		
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	30,398	43,264
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	725,012	725,012

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 Cobden, Camperdown and surrounding districts 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

37 Curdie Street
COBDEN VIC 3266

Principal Place of Business

37 Curdie Street
COBDEN VIC 3266

Notes to the financial statements (continued)

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 \$	2016 %	2015 %
Financial assets												
Receivables	-	-	-	-	-	-	-	-	43,693	58,876	N/A	N/A
Financial liabilities												
Interest bearing liabilities	57,940	28,392	370,000	470,050	-	-	-	-	-	-	4.37	4.95
Payables	-	-	-	-	-	-	-	-	35,580	13,566	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.

Notes to the financial statements (continued)

Note 27. Financial instruments (continued)

Sensitivity Analysis (continued)

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%	(4,279)	(4,984)
Decrease in interest rate by 1%	4,279	4,984
Change in equity		
Increase in interest rate by 1%	(4,279)	(4,984)
Decrease in interest rate by 1%	4,279	4,984

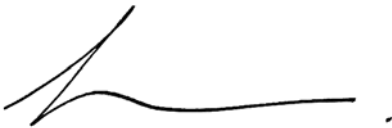
Directors' declaration

In accordance with a resolution of the directors of Cobden & District Community Finance 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.



James Alfred Green,
Chairman

Signed on the 26th of August 2016.

Independent audit report



Independent auditor's report to the members of Cobden & Districts Community Finance Limited

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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

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Independent audit report (continued)

Independence

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

Auditor's opinion on the financial report

In our opinion:

1. The financial report of Cobden & Districts Community Finance 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: 26 August 2016



David Hutchings
Lead Auditor

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