Annual Report 2015

Corangamite Financial Services Limited

ABN 80 105 703 099

Winchelsea & District **Community Bank**® Branch
Anglesea & District **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2015

The past 12 months has seen significant developments at Board level and in the provision of banking services via our two **Community Bank**® branches in Winchelsea and Anglesea, the agency being conducted in Lorne, and the ATMs in community centres within our catchment area.

As foreshadowed in my last Annual Report, Bendigo Bank has now adopted the changes from the first full review of the **Community Bank**® model - Project Horizon which will be fully implemented by July 2016. This will have a significant change in the manner in which our income is calculated from Bendigo and Adelaide Bank. Our Board has received a full briefing from Bendigo and Adelaide Bank as to the implementation of the changes, and we are preparing for these alterations which will hopefully have a positive impact upon our income and the manner in which we operate our business. Given the recommendations in Project Horizon, we are looking forward to maintaining our close relationship with management at Bendigo and Adelaide Bank and obtaining the benefits of the Bank accounting for the differences that exist between each **Community Bank**® branch on one hand, whilst on the other hand having access to "benchmarking" information to allow us to compare our operations to those of other **Community Bank**® branches.

I am pleased to report that in the last 12 months, we have increased our holdings by $15 million. On the revenue side there has been little increase in our net profit primarily due to the prevailing economic conditions, under which our company operates in the financial market. We have addressed our expenditure in that period and have achieved some cost savings. However, it is difficult to "slash" our costs of operations, particularly when staffing is our most significant expenditure item and we will not compromise on the provision of services to our customers.

This year, our Board has participated in an independent evaluation of its governance and the risks, through a Governance Evaluator program in which each Director was individually interviewed by the Facilitator. We are at present working through the recommendations made by that evaluation process and this will form part of an ongoing process involving all Board members. A similar programme has been successfully undertaken by several of the **Community Bank**® branches in the region.

In line with our Strategic Vision, we are regularly reviewing our aims and projects to ensure that we remain relevant to our communities and that we can take an active role in local projects.

Last year, we committed to investigating the provision of Long Day Care services in Winchelsea. Whilst this project has not developed as rapidly as we had hoped, we are working with the key stakeholders including the Surfcoast Shire, Hesse Rural Health Service and the local Growing Winchelsea committee, to obtain the necessary reports and planning to pursue such a service.

The Moriac Medical Centre freehold has now been sold, as we had completed the project of providing a building for the provision of medical services to the Moriac community. After repayment of the loan for that project, the remaining funds will be available for future community projects.

Lorne has continued to be a major focus for our company and with recent developments regarding banking services in that town, we are working with Bendigo and Adelaide Bank and the local community towards the extension of further banking services in Lorne, beyond the current agency arrangement.

Inverleigh is also a focus for our company and we propose to introduce greater services to the local community in the near future, by providing an on-site business banking consultancy.

Chairman's report (continued)

Birregurra has been a concern for our Board in terms of the banking services provided to that town, notably the ATM machine. In conjunction with the due replacement of the current ATM, our Board is presently reviewing the provision of that service, having regard to the commensurate business returned to our branch by the local community. Sometimes, difficult decisions are required and our Board needs to be satisfied that the expenditure it makes in the provision of facilities or services to a community are justified, with consideration towards a number of criteria including the revenue return received from the community benefiting from such facilities or services.

Our company covers a large catchment area and there are constant demands upon us to provide not only banking services, but also funds and grants to meet community needs. In responding to such demands, we need to ensure that not only are we providing appropriate benefits to the community, but also that there are returns to our company in terms of banking business.

We believe that our company has established a solid "brand" in the region, and we will do everything possible to maintain and extend that brand, whilst working in conjunction with our communities to achieve practical and effective outcomes for each party.

On behalf of the Board, I would like to thank Pat Murnane for his support and wise counsel over the past 12 years as Regional Manager. We wish him the best in his new role with Bendigo and Adelaide Bank as Senior Manager Community and Business Engagement.

To Jeremy Morris, Senior Manager I extend our gratitude for your tireless efforts in keeping our business vibrant and strong, along with your commitment and support of the Board and keeping us focused on the challenges we are facing. To our Branch Managers, Shane Madden and Rosie Gillett, I similarly extend our thanks for your dedication and efforts. To each of our staff, I thank you for your assistance and commitment both to our customers and to our Board.

I would also like to thank you, for your continuing support as shareholders of a local community owned company, that has been successful in fulfilling its core aims of returning and improving local banking services and making substantial contributions and investments back into the local area.

Vaughan Lamb
Chairman

Manager’s report

For year ending 30 June 2015

The 2014/15 financial year, again proved to be a tough climate for our **Community Bank**® branches and many other businesses. However, despite this I am pleased to report on some great outcomes.

While we didn’t exceed the ambitious growth budgets that we set ourselves, our staff teams led my Branch Managers Shane Madden and Rosemary Gillett were still able to achieve business growth of $15 million (5.5%). This was great effort considering the factors that we faced.

The continuing record low interest rate environment had an impact on both the deposit and lending side of our businesses. On the deposit side, investors have been forced to consider their returns as term deposit rates started dropping below 3%p.a. While on the lending side, there was still a cautious approach by most consumers with the theme continuing towards debt reduction rather than taking advantage of the low rates. With a lending portfolio that naturally reduces with repayments, growth is difficult which is emphasised with the low rates, particularly with the large number and dollar volume of loans that we have.

Our staff have continued to be at the forefront in the community being actively engaged and involved with the many groups throughout our broad catchment. The local **Community Bank**® branches are increasingly the ‘go to’ point for community groups and individuals seeking assistance and advice on projects, and to help solve issues within the community. Our **Community Bank**® branches are living up to the current Bendigo and Adelaide Bank national catch phrase of **Bigger than a bank**.

The development of our business in Lorne has continued to be a focus following the establishment of our agency at Beachouse Gifts. We are presently in consultation with Bendigo and Adelaide Bank to look at ways to further develop the Lorne business and capitalise on opportunities that are unveiling in this area.

We have also had some success on the agribusiness front, following Bendigo and Adelaide Bank’s acquisition of Rural Finance and now 100% ownership of the Rural Bank business. The consolidation of these businesses and brands will continue to take place over the next couple of years. However, I’m confident of this current agribusiness offering and believe that we have the people, products and policies to cater for the rural market. We launched this offering at a Rural Breakfast in Winchelsea and introduced our local Rural Bank representatives, Gavin Svanosio and Tania Currie. Both Gavin and Tania are very personable and experienced and have proven to be valuable resources to our **Community Bank**® branches and customers.

We had a number of staff changes during the financial year, with some longstanding valuable personnel moving on into different chapters in their lives. I would like to thank Chris Gray, Mel Armstrong, Dean Hackwill and Lauren Humphries for their contributions to our business and communities.

I would like to welcome our new local employees Kelly Turner, Jenna Robinson and Julie Dunkley to our team, who are enthusiastic and passionate about the **Community Bank**® model of banking. We have to invest a lot of time into the development and training for all new staff, but already Kelly, Jenna and Julie are proving to be assets to our business and communities.

We have also employed a new Business Development Manager, Rob Cameron and also welcome him to our business. Rob will be known to many people in the local area, returning after fulfilling a similar role at the Keith **Community Bank**® Branch. Rob is working between the two branches and the broader catchment, seeking to secure and develop new banking and community relationships.

Manager’s report (continued)

In June we celebrated Anglesea & District **Community Bank**® Branch’s 10th Birthday. This was a great milestone and gratifying to reflect upon all the achievements of the Anglesea business since inception, in what was previously ‘Jacko’s Butcher Shop’. While this time has really flown by, there has been so much achieved on a number of levels. I would like to thank all staff and Directors, past and present and congratulate them on what has been a wonderful success so far. I would especially like to thank our Anglesea Branch Manager, Shane Madden who has passionately led the Anglesea team and has been at the helm since day one.

Our income has continued to decline in the low interest rate climate despite our best efforts to offset this with business growth. We are continuing to focus on business development and growth, with the aim of increasing our bottom line and combat the reducing revenue line. The current outlook is for ongoing low rates and while we are optimistic of an improvement in income ratios in the future, we have to be realistic that this will not happen in the short term.

The evolving nature of the banking industry has changed the ways that people and businesses perform their banking. This is obviously increasing the electronic means and being less dependent on the traditional ‘face to face’ contact within the branches themselves, for day to day banking transactions. While we cater for both the traditional branch on online banking platforms, we need to maintain our existing, outbound community engagement and business development activities, while continuing to build upon our reputation as relationship bankers ensuring that we remain relevant and connected with our existing customers, as well as gaining new customers.

Today’s technology provides us with the ability to interact and do business with our customers, anytime and anywhere, allowing us to continue to assist our customers with their financial needs outside of the branch and outside of business hours. This also gives us the ability to maintain the strong relationship we have with our large customer base that reside outside of our immediate catchment area and remaining connected to our people, community and service.

I would like to extend my gratitude to our staff and Directors for another successful year, against the challenges we have encountered. I would also like to thank our volunteer Directors led by our Chairman, Vaughan Lamb who dedicates many hours for no other reason than to grow and assist your community. I would also like to make special mention to Sue Lubcke, our Executive Assistant who coordinates much of the company’s operation behind the scenes. I would also like to thank the broader Bendigo and Adelaide Bank team outside of our branches who support and assist us, specifically the local Business Bankers and Geelong Regional Office team.

Jeremy Morris
Senior Manager

Directors' report

For the financial year ended 30 June 2015

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

Directors

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

Vaughan Mervyn Lamb
Chairman
Occupation: Lawyer
Qualifications, experience and expertise: Legal Practitioner and Consultant at Coulter Roache Lawyers. Former Chairman and board member Bethany Family Support and Geelong Disabled Peoples Industries. Former board member Grace McKellar Centre and Kalkee.
Special responsibilities: Executive Committee, Governance Committee, Business Development Committee and Chair
Interest in shares: Nil

Michael Francis Fitzgerald
Secretary
Occupation: Company Director/Agricultural Commodity Trader
Qualifications, experience and expertise: Bachelor of Agricultural Science (Melbourne University). Owner/ Director Melaluka Trading Pty Ltd. President of Modewarre Football and Netball Club. Former Treasurer of Moriac Primary School Council. Previous employment with Riordan Grain Services as a Commodity Trader.
Special responsibilities: Assets & Finance Committee, Business Development Committee
Interest in shares: 11,000

Robert John Earl
Director
Occupation: Civil Contractor
Qualifications, experience and expertise: Qualified Diesel Fitter and holds a Diploma in OHS. Managed own business for 27 years, ten years in heavy construction. Former president of the Civil Contractors Federation for ten years, founding member of the Winchelsea Tourist & Traders, former member of the SES and Landcare and former mentor at the Winchelsea Primary School and a member of Landcare.
Special responsibilities: Marketing & Community Investment Committee, Business Development Committee
Interest in shares: 15,600

John McKenzie Knuckey
Director
Occupation: Business Proprietor – Engineering
Qualifications, experience and expertise: Self employed in the agricultural retail and manufacturing industry for 40 years. Past executive of local sporting clubs. Long time local resident.
Special responsibilities: Assets & Finance Committee, Executive Committee, Business Development Committee
Interest in shares: 4,700

Directors (continued)

Kenneth Ian McDonald
Director
Occupation: Real Estate Agent/Grain Consultant
Qualifications, experience and expertise: Self employed Real Estate/Agribusiness. Self employed Grain Marketing and Licensed Real Estate Agent. Long time local resident and community volunteer.
Special responsibilities: Assets & Finance Committee, Business Development Committee
Interest in shares: 3,600

John Hubert Tebbutt
Director
Occupation: Retired Barrister at Law
Qualifications, experience and expertise: Barrister at Law for 43 years. Licenced Legal Practitioner and Accredited Mediator (Bond University). Past President of the Torquay Golf Club. Part time Farmer.
Special responsibilities: Governance & HR Committee, Business Development Committee
Interest in shares: Nil

Michael Cole McConnell
Director
Occupation: Retired Builder, Property Developer
Qualifications, experience and expertise: Builder and small property developer. Member of the Master Builders Association of Victoria. 50 years involvement with the Anglesea Surf Life Saving Club including life membership in 2002. Member of the Anglesea Tennis Club.
Special responsibilities: Assets & Finance Committee, Business Development Committee
Interest in shares: 9,000

Robyn Gaye Erwin
Director
Occupation: Small Business Owner
Qualifications, experience and expertise: Former Business Development Manager – GPAC, Bachelor of Education (Secondary). Experience in sponsorship, grants, public relations and marketing.
Special responsibilities: Chair of Marketing & Community Investment Committee, Business Development Committee
Interest in shares: Nil

Jennifer Anne Sewell
Director
Occupation: Project Officer/Home Duties
Qualifications, experience and expertise: Bachelor of Commerce (finance major), Bachelor of Arts (journalism major). Certificate IV in Financial Services, Diploma and Advanced Diploma of Financial Services (financial planning). Treasurer Inverleigh Kindergarten, Inverleigh Scouts. Policy and procedure development, Project management, Paraplanner, Financial analysis, Treasurer for local community groups.
Special responsibilities: Executive Committee, Marketing & Community Investment Committee, Business Development Committee
Interest in shares: 3,000

Directors (continued)

Raylene Margaret Fordham
Director
Occupation: Business Owner - Market Research
Qualifications, experience and expertise: Business Owner - Market Research company. Business Owner – Accommodation facility. President Local Trader Association. Former Victorian Operations Manager. Book Retailer.
Special responsibilities: Assets & Finance Committee, Business Development Committee
Interest in shares: Nil

Pamela Margaret Sandlant
Director (Appointed 25 February 2015)
Occupation: School Principal
Qualifications, experience and expertise: Diploma of Teaching, Bachelor of Education. Teacher and Principal 38 years (Management and Education). Partner in family business (Farming). Account management, various community involvement in sporting groups and voluntary community groups. Member/minute secretary Committee of management of Anglesea Community House (12 years).
Special responsibilities: Business Development Committee
Interest in shares: Nil

Marie Elin McPadden
Director (Resigned 17 February 2015)
Occupation: Farmer
Qualifications, experience and expertise: Animal Attendant, Farmer, Scout Leader.
Special responsibilities: Marketing & Community Investment Committee, Business Development Committee
Interest in shares: Nil

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

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

Company Secretary

The company secretary is Michael Francis Fitzgerald. Michael was appointed to the position of secretary on 7 December 2009. Michael holds a Bachelor of Agricultural Science Agricultural and was previously employed as a Commodity Trader. He is President of the Modewarre Football and Netball Club and former Treasurer of the Moriac Primary School Council.

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank**® services under management rights to operate two 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 2015 $	Year ended 30 June 2014 $
213,831	94,594

Remuneration report

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.

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Vaughan Mervyn Lamb	-	-	-
Michael Francis Fitzgerald	10,000	-	10,000
Robert John Earl	15,600	-	15,600
John McKenzie Knuckey	4,700	-	4,700
Kenneth Ian McDonald	2,700	900	3,600
John Hubert Tebbutt	3,600	3,600	-
Michael Cole McConnell	9,000	-	9,000
Robyn Gaye Erwin	-	-	-
Jennifer Anne Sewell	3,000	-	3,000
Raylene Margaret Fordham	-	-	-
Pamela Margaret Sandlant (Appointed 25 February 2015)	-	-	-
Marie Elin McPadden (Resigned 17 February 2015)	-	-	-

Community Bank® Directors' Privileges Package

The company has accepted the Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges Package. The package is available to all directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders.

For the year ended 30 June 2015 there have been no benefits received by the directors from the Directors Privilege Package.

Dividends

	Year ended 30 June 2015	
	Cents	$
Dividends paid in the year	6	85,272

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Events since the end of the financial year

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company the results of those operations or the state of affairs of the company, in future years.

Likely developments

The company will continue its policy of facilitating banking services to the community.

Environmental regulation

The company is not subject to any significant environmental regulation.

Indemnification and insurance of directors and officers

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

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

Directors' 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							
			Marketing & Community Investment		Assets & Finance		Governance & HR		Executive	
	A	B	A	B	A	B	A	B	A	B
Vaughan Mervyn Lamb*	12	11	-	-	1	1	5	5	19	18
Michael Francis Fitzgerald	12	6	1	-	3	2	-	-	-	-
Robert John Earl	12	9	3	-	-	-	-	-	-	-
John McKenzie Knuckey	12	8	1	1	3	2	-	-	-	-
Kenneth Ian McDonald	12	10	1	1	3	3	-	-	-	-
John Hubert Tebbutt	12	10	1	1	2	2	5	5	7	6
Michael Cole McConnell	12	3	-	-	2	2	-	-	-	-
Robyn Gaye Erwin*	12	7	7	4	-	-	-	-	-	-
Jennifer Anne Sewell*	12	7	6	6	2	1	3	3	16	16
Raylene Margaret Fordham	12	10	-	-	3	2	2	2	1	1
Pamela Margaret Sandlant* (Appointed 25 February 2015)	4	2	-	-	-	-	-	-	-	-
Marie Elin McPadden (Resigned 17 February 2015)	7	4	3	3	-	-	-	-	-	-

A - Eligible to attend, B - Number attended

* Denotes approved leave of absence in the period

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 12.

Signed in accordance with a resolution of the board of directors at Winchelsea, Victoria on 21 September 2015.

Vaughan Mervyn Lamb,
Chairman

Auditor's independence declaration

Partners in success

Chartered Accountants

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

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

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

David Hutchings
Lead Auditor

Dated: 21 September 2015

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

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Financial statements

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

	Notes	2015 $	2014 $
Revenue from ordinary activities	4	2,152,237	2,033,934
Employee benefits expense		(1,032,785)	(1,116,476)
Charitable donations, sponsorship, advertising and promotion		(109,830)	(103,458)
Occupancy and associated costs		(108,561)	(115,035)
Systems costs		(119,246)	(125,263)
Depreciation and amortisation expense	5	(133,806)	(126,660)
Finance costs	5	(29,971)	(27,497)
General administration expenses		(300,670)	(276,754)
Profit before income tax expense		**317,368**	**142,791**
Income tax expense	6	(103,537)	(48,197)
Profit after income tax expense		**213,831**	**94,594**
Total comprehensive income for the year		**213,831**	**94,594**
Earnings per share for profit attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	26	15.05	6.66

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2015

	Notes	2015 $	2014 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	157,658	34,988
Trade and other receivables	8	142,298	130,269
Total Current Assets		**299,956**	**165,257**
Non-Current Assets			
Property, plant and equipment	9	1,038,015	984,244
Investment property	10	-	416,000
Financial assets	11	19,200	19,200
Intangible assets	12	109,536	156,404
Deferred tax asset	13	28,859	66,150
Total Non-Current Assets		**1,195,610**	**1,641,998**
Total Assets		**1,495,566**	**1,807,255**
LIABILITIES			
Current Liabilities			
Trade and other payables	14	50,681	112,044
Current tax liabilities	13	24,521	13,141
Borrowings	15	34,518	83,293
Provisions	16	96,835	97,061
Total Current Liabilities		**206,555**	**305,539**
Non-Current Liabilities			
Borrowings	15	94,782	432,106
Provisions	16	3,524	7,464
Total Non-Current Liabilities		**98,306**	**439,570**
Total Liabilities		**304,861**	**745,109**
Net Assets		**1,190,705**	**1,062,146**
Equity			
Issued capital	17	966,000	966,000
Reserves	18	18,500	18,500
Retained earnings	19	206,205	77,646
Total Equity		**1,190,705**	**1,062,146**

The accompanying notes form part of these financial statements.

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

	Issued Capital $	Retained Earnings $	Reserves $	Total Equity $
Balance at 1 July 2013	**966,000**	**68,324**	**18,500**	**1,052,824**
Total comprehensive income for the year	**-**	**94,594**	**-**	**94,594**
Transactions with owners in their capacity as owners:				
Shares issued during period	-	-	-	-
Costs of issuing shares	-	-	-	-
Dividends provided for or paid	-	(85,272)	-	(85,272)
Balance at 30 June 2014	**966,000**	**77,646**	**18,500**	**1,062,146**
Balance at 1 July 2014	**966,000**	**77,646**	**18,500**	**1,062,146**
Total comprehensive income for the year	**-**	**213,831**	**-**	**213,831**
Transactions with owners in their capacity as owners:				
Shares issued during period	-	-	-	-
Costs of issuing shares	-	-	-	-
Dividends provided for or paid	-	(85,272)	-	(85,272)
Balance at 30 June 2015	**966,000**	**206,205**	**18,500**	**1,190,705**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2015

	Notes	2015 $	2014 $
Cash flows from operating activities			
Receipts from customers		1,990,801	2,179,593
Payments to suppliers and employees		(1,685,117)	(1,875,009)
Interest received		95	89
Dividends received		12,549	2,136
Interest paid		(29,971)	(27,497)
Income taxes paid		(54,866)	(46,945)
Net cash provided by operating activities	**20**	**233,491**	**232,367**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,042)	(106,536)
Payments for intangible assets		(51,448)	(45,673)
Proceeds for investments or financial assets		532,440	-
Net cash provided by/(used in) investing activities		**479,950**	**(152,209)**
Cash flows from financing activities			
Proceeds from borrowings		-	75,000
Repayment of borrowings		(505,499)	(73,078)
Dividends paid		(85,272)	(85,272)
Net cash provided by/(used in) financing activities		**(590,771)**	**(83,350)**
Net increase/(decrease) in cash held		**122,670**	**(3,192)**
Cash and cash equivalents at the beginning of the financial year		34,988	38,180
Cash and cash equivalents at the end of the financial year	**7(a)**	**157,658**	**34,988**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2015

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branches at Winchelsea and Anglesea, Victoria.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**® branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**® branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

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

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide 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.

Note 1. Summary of significant accounting policies (continued)

b) Revenue

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

Revenue calculation

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

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

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Margin (continued)

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

Commission

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

Fee income

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

Ability to change financial return

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

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

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

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

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

Monitoring and changing financial return

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

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

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Monitoring and changing financial return (continued)

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

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

h) Intangibles

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

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

Note 1. Summary of significant accounting policies (continued)

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of 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.

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of 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 of other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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.

(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%.

Note 2. Financial risk management (continued)

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

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.

Note 3. Critical accounting estimates and judgements (continued)

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.

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.

	2015 $	2014 $

Note 4. Revenue from ordinary activities

	2015 $	2014 $
Operating activities:		
- services commissions	1,976,997	2,010,921
Total revenue from operating activities	**1,976,997**	**2,010,921**
Non-operating activities:		
- interest received	95	89
- rental revenue	25,660	17,990
- dividends received	400	2,136
- profit on sale of non-current assets	136,708	2,719
- other revenue	12,377	79
Total revenue from non-operating activities	**175,240**	**23,013**
Total revenues from ordinary activities	**2,152,237**	**2,033,934**

Note 5. Expenses

	2015 $	2014 $
Depreciation of non-current assets:		
- buildings	39,797	44,242
- furniture and fittings	16,641	16,304
- leasehold improvements	4,891	4,859
- motor vehicles	25,609	13,584
Amortisation of non-current assets:		
- franchise agreement	26,868	27,671
- franchise renewal fee	20,000	20,000
	133,806	**126,660**
Finance costs:		
- interest paid	**29,971**	**27,497**
Bad debts	**1,507**	**684**
Loss on disposal of property, plant and equipment	**-**	**630**

Note 6. Income tax expense

	2015 $	2014 $
The components of tax expense comprise:		
- Current tax	66,246	57,194
- Movement in deferred tax	35,772	(8,997)
- Adjustment to deferred tax to reflect change to tax rate in future periods	1,519	-
	103,537	**48,197**

Notes to the financial statements (continued)

	2015 $	2014 $
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	317,368	142,791
Prima facie tax on profit from ordinary activities at 30%	95,210	42,837
Add tax effect of:		
- non-deductible expenses	6,016	6,000
- non-assessable income	-	(641)
- timing difference expenses	5,275	8,998
- other deductible expenses	(40,255)	-
	66,246	**57,194**
Movement in deferred tax	35,772	(8,997)
Adjustment to deferred tax to reflect change of tax rate in future periods	1,519	-
	103,537	**48,197**

Note 7. Cash and cash equivalents

Cash at bank and on hand	157,658	34,988
	157,658	**34,988**
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	157,658	34,988
	157,658	**34,988**

Note 8. Trade and other receivables

Trade receivables	135,123	123,038
Prepayments	7,175	7,231
	142,298	**130,269**

	2015 $	2014 $

Note 9. Property, plant and equipment

	2015 $	2014 $
Land and buildings		
Freehold land at Winchelsea		
At independent valuation (2011)	100,000	100,000
Buildings		
At cost	597,752	597,751
Less accumulated depreciation	(51,824)	(32,294)
	545,928	**565,457**
Leasehold improvements		
Anglesea at cost	196,537	196,537
Less accumulated depreciation	(22,860)	(17,968)
	173,677	**178,569**
Plant and equipment		
At cost	13,377	13,377
Less accumulated depreciation	(13,377)	(13,377)
	-	**-**
Motor vehicles		
At cost	228,088	108,689
Less accumulated depreciation	(74,017)	(48,408)
	154,071	**60,281**
Furniture and fittings		
At cost	137,756	136,714
Less accumulated depreciation	(73,417)	(56,777)
	64,339	**79,937**
Total written down amount	**1,038,015**	**984,244**
Movements in carrying amounts:		
Land		
Carrying amount at beginning	100,000	100,000
Carrying amount at end	**100,000**	**100,000**

	2015 $	2014 $
Note 9. Property, plant and equipment (continued)		
Buildings		
Carrying amount at beginning	565,457	459,342
Additions	-	123,354
Disposals	-	-
Less: depreciation expense	(19,529)	(17,239)
Carrying amount at end	**545,928**	**565,457**
Leasehold improvements		
Carrying amount at beginning	178,569	182,108
Additions	-	1,320
Disposals	-	-
Less: depreciation expense	(4,891)	(4,859)
Carrying amount at end	**173,678**	**178,569**
Motor vehicles		
Carrying amount at beginning	60,281	73,868
Additions	119,399	-
Disposals	-	-
Less: depreciation expense	(25,609)	(13,587)
Carrying amount at end	**154,071**	**60,281**
Furniture and fittings		
Carrying amount at beginning	79,937	84,095
Additions	1,043	14,959
Disposals	-	(2,813)
Less: depreciation expense	(16,641)	(16,304)
Carrying amount at end	**64,339**	**79,937**
Total written down amount	**1,038,015**	**984,244**

Note 10. Investment Property

Land and buildings		
Freehold land at Moriac:		
- at independent valuation (2011)	-	200,000

	Note	2015 $	2014 $
Note 10. Investment Property (continued)			
Buildings			
- at independent valuation (2011)		-	270,000
Less accumulated amortisation		-	(54,000)
		-	**216,000**
Total land and buildings		**-**	**416,000**
Movements in carrying amounts:			
Land and buildings			
Carrying amount at beginning		416,000	443,000
Disposals		(395,731)	-
Less: depreciation expense		(20,269)	(27,000)
Total written down amount		**-**	**416,000**

Note 11. Financial Assets

Non-Current:			
Available-for-sale financial assets		19,200	19,200
Unlisted investments, at fair value:			
- shares in other corporations		19,200	19,200
Total available-for-sale financial assets	**21**	**19,200**	**19,200**

Note 12. Intangible assets

Franchise fee		
At cost	158,323	158,322
Less: accumulated amortisation	(122,735)	(112,058)
	35,588	**46,264**
Renewal processing fee		
At cost	80,934	80,934
Less: accumulated amortisation	(26,986)	(10,794)
	53,948	**70,140**
Anglesea lease buy-out		
At cost	100,000	100,000
Less: accumulated amortisation	(80,000)	(60,000)
	20,000	**40,000**
Total written down amount	**109,536**	**156,404**

	Note	2015 $	2014 $

Note 13. Tax

	Note	2015 $	2014 $
Current:			
Income tax payable		**24,521**	**13,141**
Non-Current:			
Deferred tax assets			
- accruals		1,039	-
- employee provisions		28,602	48,326
- property, plant and equipment		-	3,540
- capital losses		-	14,284
		29,641	**66,150**
Deferred tax liability			
- other		782	-
		782	**-**
Net deferred tax asset		**28,859**	**66,150**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income		**37,291**	**(8,997)**

Note 14. Trade and other payables

	Note	2015 $	2014 $
Trade creditors		-	7,073
Other creditors and accruals		50,681	104,971
		50,681	**112,044**

Note 15. Borrowings

	Note	2015 $	2014 $
Current:			
Chattel mortgage	22	34,518	11,741
Bank loans		-	71,552
		34,518	**83,293**
Non-Current:			
Chattel mortgage	22	94,782	13,300
Bank loans		-	418,806
		94,782	**432,106**

Two chattel mortgages for motor vehicles are still currently in place. Each chattel mortgage is secured by the underlying financed asset. Repayments for one of the remaining mortgages is currently $2,283 per month. The other lease expired in June 2015, with the final payment of $13,000 to be made in July.

	2015 $	2014 $
Note 16. Provisions		
Current:		
Provision for annual leave	44,743	37,037
Provision for long service leave	52,092	60,024
	96,835	**97,061**
Non-Current:		
Provision for long service leave	**3,524**	**7,464**

Note 17. Contributed equity

	2015 $	2014 $
1,421,200 ordinary shares fully paid (2014: 1,421,200)	966,000	966,000
	966,000	**966,000**

A bonus share issue on a 4:5 basis (455,200 shares) was issued to all existing shareholders during 2007.

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Note 17. Contributed equity (continued)

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the “10% limit”).
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the “close connection test”).
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the “base number test”). The base number is 303. As at the date of this report, the company had 482 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.

	2015 $	2014 $
Note 18. Reserves		
Asset revaluation reserve	**18,500**	**18,500**
Note 19. Retained earnings		
Balance at the beginning of the financial year	77,646	68,324
Net profit from ordinary activities after income tax	213,831	94,594
Dividends paid or provided for	(85,272)	(85,272)
Balance at the end of the financial year	**206,205**	**77,646**

	2015 $	2014 $

Note 20. Statement of cash flows

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

	2015 $	2014 $
Profit from ordinary activities after income tax	213,831	94,594
Non cash items:		
- depreciation	86,938	78,989
- amortisation	46,868	47,671
- loss on disposal of property, plant and equipment	-	630
- profit on disposal of property, plant and equipment	(136,708)	(2,719)
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(12,029)	8,834
- (increase)/decrease in other assets	37,291	(8,997)
- increase/(decrease) in payables	(9,914)	(3,639)
- increase/(decrease) in provisions	(4,166)	6,755
- increase/(decrease) in current tax liabilities	11,380	10,249
Net cash flows provided by operating activities	**233,491**	**232,367**

Note 21. 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 2015	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Recurring fair value measurements:				
Available-for-sale financial assets				
Unlisted investments:				
- shares in other corporations	-	-	19,200	19,200
	-	**-**	**19,200**	**19,200**
Property, Plant and Equipment				
Freehold land	-	100,000	-	100,000
Buildings	-	155,000	-	155,000
	-	**255,000**	**-**	**255,000**
Total assets at fair value	**-**	**255,000**	**19,200**	**274,200**

Note 21. Fair value measurement (continued)

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.

	2015 $	**2014 $**

Note 22. Leases

Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	40,692	12,201
- between 12 months and 5 years	97,417	13,300
- greater than 5 years	-	-
Minimum lease payments	**138,109**	**25,501**
Less future finance charges	(8,809)	(460)
Present value of minimum lease payments	**129,300**	**25,041**

The finance lease of the Holden Commodore, which commenced in July 2012, is a 3-year lease. Interest is recognised at an average rate of 2.67% (2014: 5.66%).

The finance lease of the Yutong Bus, which commenced in September 2014, is a 3-year lease. Interest is recognised at an average rate of 7.02% (2014: N/A).

	2015 $	**2014 $**
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	70,079	67,384
- between 12 months and 5 years	-	70,079
- greater than 5 years	-	-
	70,079	**137,463**

Note 22. Leases (continued)

The property lease is a non-cancellable lease that commenced on 1 August 2010 and expires on 30 June 2016 with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that minimum lease payments shall be increased by 4% at fixed review dates with market reviews to be undertaken on the anniversary of the lease for years where fixed review is not stipulated. An option exists to renew the lease at the end of the term for up to three periods of five years each.

Note 23. Auditor's remuneration

	2015 $	2014 $
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	3,950	3,850
- non audit services	3,525	5,472
	7,475	**9,322**

Note 24. Director and related party disclosures

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

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

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

	2015	2014
Key Management Personnel Shareholdings		
Ordinary shares fully paid	45,900	55,800

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

Note 25. Dividends paid or provided

	2015 $	2014 $
a. Dividends paid during the year		
Current year dividend		
100% (2014: 100%) franked dividend - 6 cents (2014: 6 cents) per share	**85,272**	**85,272**

The tax rate at which dividends have been franked is 30% (2014: 30%).

Dividends proposed will be franked at a rate of 30% (2014: 30%).

Note 25. Dividends paid or provided (continued)

	2015 $	2014 $
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	189,822	171,501
- franking credits that will arise from payment of income tax as at the end of the financial year	24,521	13,141
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	**214,343**	**184,642**
- 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	-	-
Net franking credits available	**214,343**	**184,642**

Note 26. Earnings per share

		2015 $	2014 $
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	213,831	94,594
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,421,200	1,421,200

Note 27. 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 28. 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 29. Segment reporting

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

Note 30. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
Corangamite Financial Services Ltd 11 Main Street, Winchelsea VIC 3241	Winchelsea **Community Bank**® Branch 11 Main Street, Winchelsea VIC 3241
	Anglesea **Community Bank**® Branch 97 Great Ocean Road, Anglesea VIC 3230

Note 31. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 %	2014 %
Financial assets												
Cash and cash equivalents	157,658	34,449	-	-	-	-	-	-	-	539	0.12	0.16
Receivables	-	-	-	-	-	-	-	-	135,123	123,038	N/A	N/A
Financial liabilities												
Interest bearing liabilities	34,518	490,359	94,782	25,040	-	-	-	-	-	-	6.88	5.28
Payables	-	-	-	-	-	-	-	-	-	7,073	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.

Note 31. Financial instruments (continued)

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2015 $	**2014 $**
Change in profit/(loss)		
Increase in interest rate by 1%	284	(4,810)
Decrease in interest rate by 1%	284	(4,810)
Change in equity		
Increase in interest rate by 1%	284	(4,810)
Decrease in interest rate by 1%	284	(4,810)

Directors' declaration

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

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and

   (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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

Vaughan Mervyn Lamb,
Chairman

Signed on the 21st of September 2015.

Independent audit report

Partners in success

Chartered Accountants

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

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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

Report on the remuneration report

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

Auditor's opinion on the remuneration report

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

David Hutchings
Lead Auditor

Dated: 21 September 2015

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