Annual Report 2016

Fraser Coast Community Enterprise Limited

ABN 46 116 567 072

Hervey Bay **Community Bank**® Branch

Contents

Chairperson’s report

For year ending 30 June 2016

The 2015/16 financial year has seen the company continue to grow in challenging business and domestic banking conditions.

Community, staffing and general business needs continue to challenge the Board and staff in their efforts in trying to gain necessary market share and most profitable mix of products sold to generate the profits the company and its shareholders deserve. As in the prior years, we have increased turnover, increased lending activity, and improved customer product usage ratios.

Throughout the year, with the assistance of senior local, regional and state bank staff, the Board has worked very hard, voluntarily giving of their time to implement the strategic decisions outlined in our strategic plan. We review the plan to ensure we focus on areas that we see as key strategic and operational tasks for the company Directors and staff.

During last year, our previous Manager Mr David Skeels resigned. We thank David for his efforts and services during his time with us. Thankfully, however, we have been able to engage Mr Tim Evans as his replacement. Tim’s passion, endeavour, skills and expertise have already had a positive effect on all areas of our company and the Board looks forward to working with Tim well into the future.

We understand that markets are always very competitive and customers are much more discerning and understanding of their needs and service requirements, but with the pricing policies, product range, service provision and value proposition of the **Community Bank**® model together with the Bendigo and Adelaide Bank, we hope to continue to gain customers and increase our regional market share. Strong marketing strategies nationally and locally, as well as our community benefit model and award winning service offerings, we will continue to gain market share and new commercial and domestic customers.

I am very proud to announce that for the first time the company has earned an annual profit. Regretfully we are not able to recommend that a dividend be declared but recent business growth makes that a distinct possibility in the foreseeable future. I assure everyone that this is our prime goal and that the board and staff are working very hard to achieve it, and will do so as soon as it is fiscally responsible.

The Board continues to be concerned that considerable numbers and percentages of our shareholders do not use the services and products offered by us. As the **Bigger than a bank** marketing activities state, we can offer all banking products and services, at competitive rates whilst providing best practice business and general customer service.

Shareholders can assist their **Community Bank**® branch by using, supporting and advocating the branch and all its services and products. By doing so, you will assist greatly in generating profits for yourselves and the community. Please spread the message, tell people you know to come and talk to our staff and make use of the award winning services and products they offer.

We have been able to attract new Directors to the Board this year and regretfully some have had to resign. I thank all our Board members that have given freely of their time, skills, knowledge and experience. I would like also to acknowledge those other outstanding local people who have expressed an interest in becoming members of the Board as and when vacancies arise.

The Board members continue to engage and work with passion, vigour and with the singular aim to achieve our goals. The Board and its committees are working many hours in conjunction with the management and staff of the Bendigo Bank to identify what we can do better so that profits increase for the benefit of our shareholders and community.

The Board sets the policy but our staff are the ones that put it into place and practice. On behalf of the Board, I sincerely thank all the staff for their efforts, support and assistance in the past year. Similarly I acknowledge the regional and various specialist managers we work with throughout the year and thank them for their assistance and guidance.

Chairperson's report (continued)

This company is different because it exists for the benefit of its local community and shareholders. It will only achieve its goals if the shareholders and community support it. We are partnering with the fifth largest bank in Australia, that has also been judged the 'Best Customer Service' and 'Best Business Bank' in Australia, to continue increase awareness of our message and distinct value proposition in the hope that our shareholders and the community that will greatly benefit from its existence will become customers and advocates to spread the word of this unique model to friends and associates.

I would also remind our shareholders that there are shares available for purchase. The shares are available for many reasons and I urge existing shareholders to examine the opportunities available and to spread the word to their associates.

I look forward to working with the current board, staff and the Bendigo Bank in the coming year as we continue down the challenging road to success.

Neil Canning
Chairperson

Manager's report

For year ending 30 June 2016

Firstly, it is with great pleasure I present my first Manager's report as the Branch Manager of the Hervey Bay **Community Bank**® Branch.

This year was the Hervey Bay **Community Bank**® Branch's 10th year in operation in our community, and we celebrated this milestone on 15 June 2015.

It was a great day supported by customers and community alike, and it was a wonderful opportunity to reflect on what we have achieved as an organisation in the last decade. Our 10th year, also meant Linda Brown reached 10 years of service with the branch. She has been here since day one and has been a wonderful asset to the business. I look forward to working with Linda for the next 10 years.

There is only one constant in our industry and that is change and our **Community Bank**® branch is not immune to this dynamic. The first change was myself joining the team in February 2016, and what a amazing six months it has been. Our capacity for good is staggering and I look forward to being a part of the success of this business.

Additionally during this time, Carlie Kuhz has moved interstate to be with her partner, fortunately she has not been lost to our branch and is now working for the Bendigo Bank in Wagga.

Sadly, for us, Julie Beh has decided that it is time for her to retire. I would personally and on behalf of the **Community Bank**® branch like to thank Julie for her efforts over the last eight years, she has been a valuable and much loved member of this team.

This does of course mean there are some new faces joining the branch to replace Carlie and Julie, and we are excited to welcome Katie Grant, and Tamara Doggen into the fold. I am sure they will be wonderful additions to our team.

The last financial year was one of significant challenges to the branch which did see a contraction of our loans book. This has been an area of focus for our group, and something we have been able to arrest and we are now again moving in a positive direction.

We exist in a very competitive environment, and while the business continues to focus on lending, we are also looking to inform customers and shareholders about the breadth of our business, wealth and insurance offerings. The end goal is to be a one-stop financial service provider for our customers. We are working towards this by having deeper conversations with our customers at the counter and over the telephone. The more requirements we can meet for a customer ultimately means the better relationship and service we can offer.

Hervey Bay **Community Bank**® Branch has continued to support a number of worthy organisations, sporting clubs and events in the local area this financial year including:

- Hervey Bay Seagulls Rugby League U18 Team
- Cosmos Netball
- Bombers junior AFL
- 12 Sporting Bursaries were awarded to Junior Sports people.
- Meals on Wheels
- Bayside transformations
- PCYC Wedding Expo
- Rotary Living Expo.

We look forward to continuing to service our community by developing sustainable ways of supporting these worthy groups.

Manager's report (continued)

I also would like to take this opportunity to invite you, your family and friends to come in and meet the new team. Allow us to show you why we are **Bigger than a bank**. We are committed to the Bendigo Bank's vision of being Australia's 'Most customer-connected bank' and we believe the success of our customers is paramount to the success of our own business and community. The more we grow, the quicker we can reward the shareholders and invest more in this fantastic community.

Finally I would like to thank the Board, my staff, our shareholders, customers and the Hervey Bay community for their ongoing support and commitment to making the Hervey Bay **Community Bank**® Branch a success.

Best regards,

Tim Evans
Branch Manager

Directors' report

For the financial year ended 30 June 2016

Your directors submit the financial statements of the company for the financial year ended 30 June 2016.

Directors

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

Neil Arthur Owen Canning

Chairman

Accountant

Neil was a director and partner in Canning Lynch McGrath, Chartered Accountants and associated entities. He has also been a three time President of Rotary Club of Hervey Bay and chairperson of the Rotary Hospital House Committee. From July 2011 to January 2013, Neil was employed as a business advisor under the Federal Government program Enterprise Connect. Neil was specifically engaged to work with the manufacturing and tourism industries. He is currently employed part-time as accountant and business advisor for three regional businesses.

Audit & Risk, Human Resources, Building Relocation

Interest in shares: 5,000

Lorna Ann Mary Sutton

Treasurer

Chartered Accountant

Bachelor of Commerce (Accounting and Finance), Graduate Diploma ICAA, Company Treasurer. Past and present member of local sporting clubs, Board Member of Fraser Coast Anglican College Foundation Ltd.

Audit and Risk Committee

Interest in shares: Nil

Peita Josephine Bates

Secretary

Business Consultant

Owns business consultancy company. Current and previous employment focussed on corporate governance, community engagement and communications. Holds a Bachelor of Business (Management & Leadership, IT Management) with distinction from the University of Southern Queensland. Member of International Institute of Business Analysis (Australian and International chapter) and Golden Key Society.

Secretary, Governance Committee, Marketing and Business Development Committee

Interest in shares: Nil

David John Lewis

Director

Councillor

Councillor, Bachelor of Arts, Bachelor of Laws, Managing partner legal practice for 30 years. President/Executive of various clubs and associations and community boards. Previously worked as a Solicitor.

HR Committee

Interest in shares: Nil

Directors (continued)

Adam Richard Cameron Perrier

Director

Architect

Bachelor of Design Studies, Bachelor of Architecture. Been involved with the **Community Bank** for four years, also been on the school council of the Fraser Coast Anglican College for three years. Adam has also served on the council for the Hervey Bay chamber of commerce for four years.

Marketing Committee

Interest in shares: Nil

Justin Maxwell Geldard

Director

Solicitor

Bachelor Laws and Business (Banking & Finance) from Queensland University of Technology. Admitted solicitor Supreme Court Queensland, High Court of Australia. Member of Rally for a Cause Incorporated. Coach U10 Hervey Bay Cricket. Chairperson of Hervey Bay Seagulls rugby league disciplinary tribunal.

Governance Committee

Interest in shares: Nil

Sandra Leah Holebrook

Director

Business Owner

Chartered Accountant - CANZA, Graduate Diploma in Marketing Management, licensed Real Estate Agent, Vice President Hervey Bay Chamber of Commerce, non-Executive Director Regional Housing Limited, Secretary Youth care Hervey Bay Incorporate, Chair Planning and Development Committee RHL. Deputy Chair of Sports and Project Community Committee.

Business Development Committee, Marketing Committee

Interest in shares: Nil

Kim Joanne Parnell

Director (Appointed 26 October 2015)

Small Business Owner

15 years experience in retailing in various roles. Five years as a volunteer at Narangba Neighbourhood centre as Secretary, Treasurer and Co-ordinator. Three years volunteering in the Development of a park. Volunteering for three years in the Events department of the then Caboolture Shire Council organising the Urban Country Music Festival.

Marketing Committee

Interest in shares: Nil

Debra Anne Potts

Director (Appointed 18 January 2016)

Chartered Accountant

Debra has a Bachelor of Commerce, Graduate Diploma ICAA, Master of Applied Taxation. Previous Treasurer of Hervey Bay chamber of commerce. Co-Founder of Bay Business Women.

Interest in shares: Nil

Directors (continued)

Scott Christopher Rowe

Director (Appointed 29 February 2016)

Executive Officer

Scott is a director at Rowe Media Pty Ltd, an editor at Hervey Bay Independent Newspapers and is a journalist. Scott has a Bachelor of Arts. Scott is also the President at the Hervey Bay rugby league club.

Marketing Committee

Interest in shares: Nil

Sotera Eugenia Mendoza Trevaskis

Director (Resigned 16 November 2015)

Corporate Writer

Bachelor of Politics & Government (Griffith University). Grant and Tender writing. Special projects.

Marketing Committee

Interest in shares: Nil

Tasmond Robert Webber

Director (Appointed 18 January 2016 - Resigned 30 May 2016)

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 Peita Josephine Bates. Peita was appointed to the position of secretary on 27 February 2012.

Peita has worked in a variety of roles that focused on corporate governance and community engagement activities in both the public and private sectors. Peita has recently completed a Bachelor of Business through University of Southern Queensland with majors in Management and Leadership as well as Information Technology Service Management.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2016 $	Year ended 30 June 2015 $
9,017	(3,189)

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended	
	Eligible	**Attended**
Neil Arthur Owen Canning	12	12
Lorna Ann Mary Sutton	12	12
Peita Josephine Bates	12	11
David John Lewis	12	7
Adam Richard Cameron Perrier	12	5
Justin Maxwell Geldard	12	9
Sandra Leah Holebrook	12	11
Kim Joanne Parnell (Appointed 26 October 2015)	9	8
Debra Anne Potts (Appointed 18 January 2016)	6	5
Scott Christopher Rowe (Appointed 29 February 2016)	5	5
Sotera Eugenia Mendoza Trevaskis (Resigned 16 November 2015)	4	2
Tasmond Robert Webber (Appointed 18 January 2016 - Resigned 30 May 2016)	5	3

Directors’ report (continued)

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

Auditor’s independence declaration

A copy of the auditor’s independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

Signed in accordance with a resolution of the board of directors at Hervey Bay, Queensland on 4 August 2016.

Neil Arthur Owen Canning,
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 Fraser Coast Community Enterprise Limited

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 4 August 2016

David Hutchings
Lead Auditor

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Financial statements

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

	Notes	2016 $	2015 $
Revenue from ordinary activities	4	574,842	547,818
Employee benefits expense		(334,880)	(310,051)
Charitable donations, sponsorship, advertising and promotion		(25,096)	(25,706)
Occupancy and associated costs		(55,329)	(55,560)
Systems costs		(19,010)	(18,684)
Depreciation and amortisation expense	5	(39,370)	(41,342)
Finance costs	5	(10,083)	(10,934)
General administration expenses		(82,057)	(88,730)
Profit/(Loss) before income tax		**9,017**	**(3,189)**
Income tax (expense)/credit	6	-	-
Profit/(Loss) after income tax		**9,017**	**(3,189)**
Total comprehensive income for the year		**9,017**	**(3,189)**
Earnings per share for profit/(loss) attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	20	1.11	(0.39)

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet
as at 30 June 2016

	Notes	2016 $	2015 $
ASSETS			
Current Assets			
Trade and other receivables	7	42,306	43,425
Total Current Assets		**42,306**	**43,425**
Non-Current Assets			
Property, plant and equipment	8	119,200	143,895
Intangible assets	9	67,781	13,884
Total Non-Current Assets		**186,981**	**157,779**
Total Assets		**229,287**	**201,204**
LIABILITIES			
Current Liabilities			
Trade and other payables	10	38,271	25,590
Borrowings	11	274,152	301,715
Provisions	12	23,792	10,600
Total Current Liabilities		**336,215**	**337,905**
Non-Current Liabilities			
Trade and other payables	10	44,735	-
Borrowings	11	25,953	40,107
Provisions	12	5,268	15,093
Total Non-Current Liabilities		**75,956**	**55,200**
Total Liabilities		**412,171**	**393,105**
Net Liabilities		**(182,884)**	**(191,901)**
Equity			
Issued capital	13	789,732	789,732
Accumulated losses	14	(972,616)	(981,633)
Total Equity		**(182,884)**	**(191,901)**

The accompanying notes form part of these financial statements.

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

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2014	**789,732**	**(978,444)**	**(188,712)**
Total comprehensive income for the year	**-**	**(3,189)**	**(3,189)**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2015	**789,732**	**(981,633)**	**(191,901)**
Balance at 1 July 2015	**789,732**	**(981,633)**	**(191,901)**
Total comprehensive income for the year	**-**	**9,017**	**9,017**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2016	**789,732**	**(972,616)**	**(182,884)**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		639,151	604,448
Payments to suppliers and employees		(573,005)	(553,121)
Interest paid		(10,083)	(10,934)
Net cash provided by operating activities	**15**	**56,063**	**40,393**
Cash flows from investing activities			
Payments for property, plant and equipment		(790)	-
Payment of intangible assets		(13,556)	-
Net cash used in investing activities		**(14,346)**	**-**
Cash flows from financing activities			
Repayment of borrowings		(18,690)	(17,521)
Net cash used in financing activities		**(18,690)**	**(17,521)**
Net increase in cash held		**23,027**	**22,872**
Cash and cash equivalents at the beginning of the financial year		(283,025)	(305,897)
Cash and cash equivalents at the end of the financial year	**11(a)**	**(259,998)**	**(283,025)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

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

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Hervey Bay, Queensland.

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

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

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

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

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

b) Revenue

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

Revenue calculation

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

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

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

Interest paid by customers on loans less interest paid to customers on deposits

plus any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,

minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

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

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

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

Commission

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

Fee income

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

Ability to change financial return

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

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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

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

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

Monitoring and changing financial return

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

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

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

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

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

c) Income tax

Current tax

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

Deferred tax

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

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

g) Property, plant and equipment

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

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

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

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

Impairment

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

l) Leases

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

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

m) Provisions

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

Note 1. Summary of significant accounting policies (continued)

m) Provisions (continued)

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

Note 2. Financial risk management (continued)

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

(a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

Note 3. Critical accounting estimates and judgements (continued)

Taxation (continued)

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

	2016 $	2015 $

Note 4. Revenue from ordinary activities

Operating activities:		
- services commissions	574,192	547,818
- other revenue	650	-
Total revenue from operating activities	**574,842**	**547,818**

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	21,929	23,901
- leasehold improvements	3,556	3,556
Amortisation of non-current assets:		
- franchise agreement	2,314	2,314
- franchise renewal fee	11,571	11,571
	39,370	**41,342**
Finance costs:		
- interest paid	6,930	6,612
- interest paid on motor vehicle loan	3,153	4,322
	10,083	**10,934**
Bad debts	**558**	**1,092**
Loss on disposal of non-current assets	**-**	**383**

Note 6. Income tax expense

The components of tax expense comprise:		
- Movement in deferred tax	4,252	(3,728)
- Adjustment to deferred tax to reflect change to tax rate in future periods	9,980	15,107
- Recoupment of prior year tax losses	2,191	2,771
- Tax losses not brought to account	(12,572)	(14,150)
- Under/(Over) provision of tax in the prior period	(3,851)	-
	-	-
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit/(loss)	9,017	(3,189)
Prima facie tax on profit/(loss) from ordinary activities at 28.5% (2015: 30%)	2,570	(957)

Notes to the financial statements (continued)

	2016 $	2015 $
Note 6. Income tax expense (continued)		
Add tax effect of:		
- non-deductible expenses	21	-
- timing difference expenses	(400)	3,728
	2,191	**2,771**
Movement in deferred tax	4,252	(3,728)
Adjustment to deferred tax to reflect change of tax rate in future periods	9,980	15,107
Future income tax benefit attributable to losses brought to account	(12,572)	(14,150)
Under/(Over) provision of income tax in the prior year	(3,851)	-
	-	**-**
Income tax losses		
Opening balance	285,972	300,122
Future income tax benefit not brought to account	(12,572)	(14,150)
Future income tax benefits arising from tax losses are not recognised at reporting date as realisation of the benefit is not regarded a virtually certain. Future income tax benefit carried forward is:	**273,400**	**285,972**

Note 7. Trade and other receivables

	2016 $	2015 $
Trade receivables	31,293	36,767
Prepayments	9,622	5,034
Other receivables and accruals	1,391	1,624
	42,306	**43,425**

Note 8. Property, plant and equipment

	2016 $	2015 $
Leasehold improvements		
At cost	106,635	106,635
Less accumulated depreciation	(48,666)	(45,110)
	57,969	**61,525**
Plant and equipment		
At cost	87,066	88,668
Less accumulated depreciation	(64,577)	(62,648)
	22,489	**26,020**

	2016 $	2015 $
Note 8. Property, plant and equipment (continued)		
Motor vehicles		
At cost	106,196	106,196
Less accumulated depreciation	(67,454)	(49,846)
	38,742	**56,350**
Total written down amount	**119,200**	**143,895**
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	61,525	65,081
Additions	-	-
Disposals	-	-
Less: depreciation expense	(3,556)	(3,556)
Carrying amount at end	**57,969**	**61,525**
Plant and equipment		
Carrying amount at beginning	26,020	31,591
Additions	790	-
Disposals	-	(1,047)
Less: depreciation expense	(4,321)	(4,524)
Carrying amount at end	**22,489**	**26,020**
Motor vehicles		
Carrying amount at beginning	56,350	75,063
Additions	-	-
Disposals	-	-
Less: depreciation expense	(17,608)	(18,713)
Carrying amount at end	**38,742**	**56,350**
Total written down amount	**119,200**	**143,895**

Note 9. Intangible assets

	2016 $	2015 $
Franchise fee		
At cost	11,297	21,570
Less: accumulated amortisation	-	(19,256)
	11,297	**2,314**

Notes to the financial statements (continued)

	Notes	2016 $	2015 $

Note 9. Intangible assets (continued)

Renewal processing fee			
At cost		56,484	57,853
Less: accumulated amortisation		-	(46,283)
		56,484	**11,570**
Total written down amount		**67,781**	**13,884**

Note 10. Trade and other payables

Current:			
Trade creditors		17,310	6,459
Other creditors and accruals		20,961	19,131
		38,271	**25,590**
Non-Current:			
Other creditors and accruals		**44,735**	**-**

Note 11. Borrowings

Current:			
Bank overdrafts		259,998	283,025
Chattel mortgage	16	14,154	18,690
		274,152	**301,715**
Non-Current:			
Chattel mortgage	16	25,953	40,107
		25,953	**40,107**
Note 11.(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 financials year as follows:			
Bank overdraft	**11**	**(259,998)**	**(283,025)**

The chattel mortgages are held with Bendigo & Adelaide Bank Limited and are repayable over five years (due between October 2016 and January 2019), attracting an average interest rate of between 5.91% and 6.8%. The chattel mortgages are secured by a fixed and floating charge over the company's assets.

The company has an approved overdraft facility of $400,000. Interest is charged at the commercial interest rate as per agreement with franchisor (currently 4.695%). The overdraft is secured by a fixed and floating charge over the company's assets.

Notes to the financial statements (continued)

	2016 $	2015 $

Note 12. Provisions

	2016 $	2015 $
Current:		
Provision for annual leave	13,295	10,600
Provision for long service leave	10,497	-
	23,792	**10,600**
Non-Current:		
Provision for long service leave	**5,268**	**15,093**

Note 13. Contributed equity

	2016 $	2015 $
810,000 ordinary shares fully paid (2015: 810,000)	810,000	810,000
Less: equity raising expenses	(20,268)	(20,268)
	789,732	**789,732**

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 13. 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 225. As at the date of this report, the company had 240 shareholders.

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

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

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

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

	2016 $	**2015 $**
Note 14. Accumulated losses		
Balance at the beginning of the financial year	(981,633)	(978,444)
Net profit/(loss) from ordinary activities after income tax	9,017	(3,189)
Balance at the end of the financial year	**(972,616)**	**(981,633)**

	2016 $	2015 $

Note 15. Statement of cash flows

Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by operating activities		
Profit/(loss) from ordinary activities after income tax	9,017	(3,189)
Non cash items:		
- depreciation	25,485	27,457
- amortisation	13,885	13,885
- loss on disposal of asset	-	383
Changes in assets and liabilities:		
- (increase)/decrease in receivables	1,119	2,317
- increase/(decrease) in payables	3,190	(4,486)
- increase/(decrease) in provisions	3,367	4,026
Net cash flows provided by operating activities	**56,063**	**40,393**

Note 16. Leases

Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	16,679	21,843
- between 12 months and 5 years	25,953	43,378
- greater than 5 years	-	-
Minimum lease payments	**42,632**	**65,221**
Less future finance charges	(2,525)	(6,424)
Present value of minimum lease payments	**40,107**	**58,797**

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	29,069	24,224
- between 12 months and 5 years	111,429	-
- greater than 5 years	-	-
	140,498	**24,224**

Note 16. Leases (continued)

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease was renewed in May 2016.

The chattel mortgage on the van is held with Bendigo & Adelaide Bank Limited and is repayable over five years (due October 2016), attracting an average interest rate of 6.802%. The chattel mortgage is secured by a fixed and floating charge over the company's assets.

The chattel mortgage on the ute is held with Bendigo & Adelaide Bank Limited and is repayable over five years (due May 2018), attracting an average interest rate of 5.9155%. The chattel mortgage is secured by a fixed and floating charge over the company's assets.

The chattel mortgage on the Triton is held with Bendigo & Adelaide Bank Limited and is repayable over 5 years (due December 2018), attracting an average interest rate of 6.60%. The chattel mortgage is secured by a fixed and floating charge over the company's assets.

Note 17. Auditor's remuneration

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

	2016 $	2015 $
- audit and review services	5,100	5,050
- share registry services	1,800	1,750
- other non audit services	2,990	2,280
	9,890	**9,080**

Note 18. Director and related party disclosures

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

Neil Arthur Owen Canning
Lorna Ann Mary Sutton
Peita Josephine Bates
David John Lewis
Adam Richard Cameron Perrier
Justin Maxwell Geldard
Sandra Leah Holebrook
Kim Joanne Parnell (Appointed 26 October 2015)
Debra Anne Potts (Appointed 18 January 2016)
Scott Christopher Rowe (Appointed 29 February 2016)
Sotera Eugenia Mendoza Trevaskis (Resigned 16 November 2015)
Tasmond Robert Webber (Appointed 18 January 2016 - Resigned 30 May 2016)

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

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.

Notes to the financial statements (continued)

Note 18. Director and related party disclosures (continued)

	2016	2015
Directors' shareholdings		
Neil Arthur Owen Canning	5,000	5,000
Lorna Ann Mary Sutton	-	-
Peita Josephine Bates	-	-
David John Lewis	-	-
Adam Richard Cameron Perrier	-	-
Justin Maxwell Geldard	-	-
Sandra Leah Holebrook	-	-
Kim Joanne Parnell (Appointed 26 October 2015)	-	-
Debra Anne Potts (Appointed 18 January 2016)	-	-
Scott Christopher Rowe (Appointed 29 February 2016)	-	-
Sotera Eugenia Mendoza Trevaskis (Resigned 16 November 2015)	-	-
Tasmond Robert Webber (Appointed 18 January 2016 - Resigned 30 May 2016)	-	-

There was no movement in directors shareholdings during the year.

Note 19. Key Management Personnel Disclosures

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

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

Community Bank® Directors' Privileges Package

The board has adopted the **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 **Community Bank®** branch at Fraser Coast, Queensland. There is no requirement to own BEN 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. The total benefits received by the Directors from the Directors' Privilege Package are $nil for the year ended 30 June 2016 (2015: $nil).

	2016 $	2015 $

Note 20. Earnings per share

	2016 $	2015 $
(a) Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	9,017	(3,189)

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	810,000	810,000

Note 21. 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 22. 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 23. Segment reporting

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

Note 24. 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

Shop 9/55-59 Main Street
Pialba QLD 4655

Principal Place of Business

Shop 9/55-59 Main Street
Pialba QLD 4655

Note 25. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 %**	**2015 %**
Financial assets												
Receivables	-	-	-	-	-	-	-	-	31,293	36,767	N/A	N/A
Financial liabilities												
Interest bearing liabilities	259,998	283,025	14,154	18,690	25,953	40,107	-	-	-	-	3.11	3.17
Payables	-	-	-	-	-	-	-	-	17,310	6,459	N/A	N/A

Note 25. Financial instruments (continued)

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2016 $	2015 $
Change in profit/(loss)		
Increase in interest rate by 1%	(3,001)	(3,418)
Decrease in interest rate by 1%	3,001	3,418
Change in equity		
Increase in interest rate by 1%	(3,001)	(3,418)
Decrease in interest rate by 1%	3,001	3,418

Directors' declaration

In accordance with a resolution of the directors of Fraser Coast Community Enterprise Limited, we state that:

In the opinion of the directors:

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

(i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

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

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

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

Neil Arthur Owen Canning,
Chairman

Signed on the 4th of August2016.

Independent audit report

Partners in success
Chartered Accountants

Independent auditor's report to the members of Fraser Coast Community Enterprise Limited

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 4 August 2016

David Hutchings
Lead Auditor

Hervey Bay **Community Bank**® Branch
Shop 9, 55 Main Street, Hervey Bay QLD 4655
Phone: (07) 4124 6201 Fax: (07) 4124 5306

Franchisee: Fraser Coast Community Enterprise Limited
Shop 9, 55 Main Street, Hervey Bay QLD 4655
Phone: (07) 4124 6201 Fax: (07) 4124 5306
ABN: 46 116 567 072

www.bendigobank.com.au/hervey-bay
(BNPAR16015) (07/16)

Bendigo Bank
Bigger than a bank.

bendigobank.com.au