



Annual Report 2016

Gingin Districts Community
Financial Services Ltd

ABN 98 095 382 193

Gingin **Community Bank**[®] Branch
Lancelin branch

Contents

Chairman's report	2
Senior Manager's report	4
Bendigo and Adelaide Bank report	5
Directors' report	6
Auditor's independence declaration	12
Financial statements	13
Notes to the financial statements	17
Directors' declaration	41
Independent audit report	42

Chairman's report

For year ending 30 June 2016

Dear Shareholders,

Challenging banking trading conditions continued through financial year 2015/16 with pressure on margins from lower interest rates, along with consumer trends to pay down debt. Despite this, the Gingin **Community Bank**[®] Branch and Lancelin branch have continued to grow their business footings over the financial year. This reflects the hard work and dedication from the staff led by Senior Manager Stephen Fidge and Branch Manager Christian Kelly.

Gingin Districts Community Financial Services Limited (GDCFSL) has posted a net profit of \$99,736 at 30 June 2016 (\$94,712 – 30 June 2015) after contributing \$160,000 to the Community Enterprise Foundation™ for further community development and contributions. GDCFSL has a strong Balance Sheet, with retained earnings of \$624,932 at 30 June 2016 (\$617,838 – 30 June 2015).

Our community contributions totalled \$249,070 for financial year 2015/16 which includes some Community Enterprise Foundation™ funds, and brings the total community investment value to \$2.1 million. GDCFSL continues to support the scholarship program to help our youth attend University, and this type of contribution increased with a commitment to the Gingin CRC of \$134,900 for the next five years to support their traineeship program.

Looking forward Bendigo and Adelaide Bank Limited (“BEN”) has adopted a Funds Transfer Pricing (FTP) model for **Community Bank**[®] branch revenue share, effective 1 July 2016. BEN applies its FTP methodology to regulatory reporting, performance management and revenue share. The FTP model:

- Is a method used to measure how much each account or product is contributing to overall profitability, given a current cost of marginal funding
- Gives the BEN Group a better understanding of the net interest margin component of overall profitability
- Assigns a FTP rate based on the repricing characteristics and behavioural duration of products.

Subject to the size of the impact of the changes to a **Community Bank**[®] company's revenue share and a calculated baseline revenue, transitional support arrangements have been made by BEN for those companies adversely affected by these changes to the financial model, for a maximum period of up to three years. The purpose of this transitional support is to provide the **Community Bank**[®] company with a revenue baseline while it grows and diversifies its business to increase revenue.

Modelling of this transition has shown negative effect in some months, and some positive effects on our bottom line in other months. Either way, with the management team in place and continued community support, we intend to keep growing the business.

The Board is pleased to declare a 21c fully franked dividend for the year ended 30 June 2016 (21c for year ended 30 June 2015) and takes the total accumulative dividend to \$1.99.

Dividend payment to date

Financial year	Cents per share	Total distribution per share
2003/04	.07c	0.07
2004/05	.08c	0.15
2005/06	.09c	0.24
2006/07	.12c	0.36
2007/08	.12c	0.48
2008/09	.15c	0.63

Chairman's report (continued)

Financial year	Cents per share	Total distribution per share
2009/10	.16c	0.79
2010/11	.18c	0.97
2011/12	.19c	1.16
2012/13	.20c	1.36
2013/14	.21c	1.57
2014/15	.21c	1.78
2015/16	.21c	1.99

Our performance relies on the efforts and dedication of all our staff and on behalf of the Board and management I would like to sincerely thank them all for their commitment to our ongoing success. I would like to thank my fellow Directors for their volunteered time, professionalism and due diligence. I sincerely thank Linda Balcombe, the Board Executive Officer for her hard work, attention to detail and support. It is a pleasure to work with such a strong team.

Remember, 'Bank with your **Community Bank**[®] branch and your community will benefit'.



Stephen Beckwith
Chairman

Senior Manager's report

For year ending 30 June 2016

A milestone year for Gingin Districts Community Financial Services Limited (GDCFSL).

We are pleased to report that in the last 12 months as a business we have achieved the following milestones:

- 15 years of providing banking products and services to the community of the Shire of Gingin
- 10 years provision of full banking services to the Lancelin and surrounding communities
- Our combined business levels exceed \$200 million, and
- We celebrated in reaching \$2 million in community contributions.

These are results that our shareholders, customers and community partners have all helped to make possible and should join with us in celebrating the success.

The staff at Gingin and Lancelin continue to perform at a high level and without their commitment to the organisation we would not have recorded 6% net growth in our portfolio for the 2015/16 financial year. In actual dollar terms our portfolio balance as at 30 of June was \$202 million with net dollar growth for the year of \$12 million.

I would like to thank the Board and Management team of GDCFSL for their support over the year. Your belief and encouragement ensures that we have a vibrant and dynamic work place that contributes to a continued strong performance. Special mention to Gingin Manager Christian Kelly, Lancelin Manager Michelle Watt and Board and Community Officer Linda Balcombe who have provided wise council and are committed to GDCFSL in helping our community and customers reach their goals.

I seek to remind our valued customers/potential customers that we are a 'local' small business and that part of the profits from your banking business are being directed back to your community (\$2 million so far). Unlike some others whose decisions about what to do with their profits are made in Sydney, Melbourne or even Europe with no 'local' consideration.

We look forward to continuing our support for community and customers in 2016/17.



Stephen Fidge
Senior Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2016

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

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

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

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

The statistics are impressive:

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

Yes, these figures are staggering.

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

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

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

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

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

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

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

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

On behalf of Bendigo Bank, thank you.

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



Robert Musgrove
Executive Community Engagement

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:

Stephen James Beckwith

Chairman

Occupation: Farm Manager and Primary Producer

Qualifications, experience and expertise: Bachelor of Business (First Class Honours). 17 years experience in WA Horticultural industry in a managerial role and currently Farm Manager of Costa Berry Exchange Western Australia. 10 years' experience in family farming business. Past President (2 years) of the Gingin Football Club, Past Treasurer (5 years) of the Gingin Bowling Club, current Chair of the Gingin Districts High School Council and Fire Control Officer of the Beermullah Volunteer Bush Fire Brigade. Past Treasurer of GDCFSL.

Special responsibilities: Nil

Interest in shares: 2,000

David William Roe

Director

Occupation: Primary Producer

Qualifications, experience and expertise: Thirty years in family farming business. Past Chairman Gingin Districts Recreation Group and the Angus Society of Australia (WA Committee). Past Treasurer Gingin Districts Football Club and Gingin Districts Cricket Club. Gingin Shire Councillor since 2005.

Special responsibilities: Finance and Audit, Sponsorship & Grants Committees.

Interest in shares: 6,001

Irene Betty Neville

Company Secretary

Occupation: Primary Producer

Qualifications, experience and expertise: Lifetime involvement in Farming & Agriculture. Registered Nurse for 20 years with Community Focus. Member of local St John's ambulance for 10 years. Active member of various other community groups.

Special responsibilities: Human Resources, Due Diligence, Marketing and Scholarships & Traineeships Committees.

Interest in shares: 5,000

Thomas Cesare Cabassi

Director

Occupation: Real Estate Agent/Farmer

Qualifications, experience and expertise: Certificate Four in Real Estate Management 50513. Past Chairman GDCFSL. Chairman of Steering Committee in forming Gingin **Community Bank**[®] Branch. Lifelong involvement in the Beef Cattle industry. President Gingin bowling club. President Moore Districts bowling league. Past President of Gingin District High School P and C. Past President of Southerners Football Club. Involvement in executive committee's basketball, football, Junior farmer, Warren Districts Agricultural show, Pemberton Country Club.

Special responsibilities: Sponsorship & Grants, Finance & Audit, Business Development and Human Resources Committees.

Interest in shares: 4,301

Directors' report (continued)

Directors (continued)

Ronald Owen Pollard

Director

Occupation: Retired

Qualifications, experience and expertise: Held Senior positions and served 28 years on the Beekeepers Section of Western Australian Farmers Federation. Served 21 years on the Board of Wescobee Ltd. Current Secretary/Treasurer of the Gingin Men's Shed Inc.

Special responsibilities: Due Diligence & Business Development Committees.

Interest in shares: 10,301

Robert William Kestel

Deputy Chairman

Occupation: Farmer

Qualifications, experience and expertise: Associate Diploma in Rural Technology, 2008 Nuffield Scholar, past Nuffield Australia Director, President of Gingin Football Club, President of WA Boiler Growers Association, Director of Australian Chicken Growers Council Ltd and Director and Chairman of Free Range Egg and Poultry Australia Ltd.

Special responsibilities: Sponsorship & Grants Committee.

Interest in shares: 1,001

Malcolm Robert Harrington

Director

Occupation: Self employed retail sales

Qualifications, experience and expertise: College education to year 10. Agriculture school Cunderdin two years. Farmer 1966 to 1990. In the years 1981 to 1986 Councillor Shire Wongan Hills. Various committees along with chairman soil conservation district number of years. Chairman/Secretary at various times to community groups. Active member of P&C. Heavy Haulage and earthmoving contractor. Private pilots licence. Left farming in 1990 moved to Ledge Point set up hardware retail business and purchased existing general store for seven years. Administrator of Ledge Point Country Club for seven years. Undertook training to become a Justice of the Peace, still holding that office. Chairman & foundation member of the Ledge Point Golf Club.

Special responsibilities: Nil

Interest in shares: 1,000

Elle Armitage

Director

Occupation: Home Duties

Qualifications, experience and expertise: Previously employed as Customer Service Supervisor by the GDCFSL from 2007 until March 2015 (eight years). Previously Fundraising and Social Co-Ordinator of the Lancelin Ledge Point FC (three years). Previously Treasurer Lancelin & Costal Districts Sub Centre of St John Ambulance (two years). Currently Lancelin Cricket Club Treasurer & Secretary (since 2011).

Special responsibilities: Human Resources, Sponsorship & Grants, Scholarship Committees.

Interest in shares: 100

Directors' report (continued)

Directors (continued)

Anthony Robert Colotti

Director

Occupation: Primary Producer

Qualifications, experience and expertise: Cert III in Horticultural studies. Director of Brookrise Fresh Produce. Involved in Gingin Football Club, Gingin Bowling Club and Yachep Surf Lifesaving Club. Donations & Sponsorship to many community events and organisations.

Special responsibilities: Human Resources, Sponsorship & Grants and Business Development Committees.

Interest in shares: Nil

Wendy Lynette Harris

Director

Occupation: Director Regional Services, EMRC

Qualifications, experience and expertise: Wendy Harris (MBA, GAICD) is the Director Regional Services at the Eastern Metropolitan Regional Council in Western Australia and was previously an Executive Manager at Keystart Home Loans. Her skills and expertise cover the areas of strategic, business and workforce planning, risk management and marketing. Wendy is also a partner in a family farming operating in the Shire of Gingin involved in the production of prime lamb and beef and is passionate about the sustainability and health of rural communities.

Special responsibilities: Finance & Audit Committee, Chair of the Due Diligence and Business Development Committees.

Interest in shares: 200

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 Irene Neville. Irene was appointed to the position of secretary on 26 November 2014 after the resignation of Jody Bondini.

Irene has a lifetime involvement in Farming & Agriculture. Registered Nurse for 20 years with Community Focus. Member of local St John's ambulance for 8 years. Active member of various other community groups.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2016 \$	Year ended 30 June 2015 \$
99,736	94,712

Directors' report (continued)

Dividends

	Year ended 30 June 2016	
	Cents	\$
Dividends paid in the year	21	92,642

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' report (continued)

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended					
			Audit		Sponsorship		Human Resources	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Stephen James Beckwith	11	10	2	2	11	11	-	-
David William Roe	11	9	2	2	11	10	3	2
Irene Betty Neville	11	9	2	2	-	-	3	3
Thomas Cesare Cabassi	11	11	2	2	11	11	3	3
Ronald Owen Pollard	11	9	-	-	-	-	-	-
Robert William Kestel	11	9	-	-	11	11	-	-
Malcolm Robert Harrington	11	9	-	-	11	10	3	3
Elle Armitage	11	10	-	-	11	10	3	3
Anthony Robert Colotti	11	9	-	-	11	10	3	2
Wendy Lynette Harris	11	10	2	2	-	-	-	-

The Scholarship sub-committee also met once during the year in January 2016, three directors' attended this meeting Robert Kestel, Irene Neville and Elle Armitage.

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

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

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

Directors' report (continued)

Auditor's independence declaration

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

Signed in accordance with a resolution of the board of directors at Gingin, Western Australia on 27 August 2016.



Stephen James Beckwith,
Chairman

Auditor's independence declaration



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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 27 August 2016

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

David Hutchings
Lead Auditor

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

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Financial statements

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

	Notes	2016 \$	2015 \$
Revenue from ordinary activities	4	1,631,205	1,669,166
Employee benefits expense		(847,884)	(869,168)
Charitable donations, sponsorship, advertising and promotion		(294,219)	(293,138)
Occupancy and associated costs		(87,379)	(86,817)
Systems costs		(38,728)	(39,210)
Depreciation and amortisation expense	5	(47,142)	(56,047)
Finance costs	5	(8)	-
General administration expenses		(175,827)	(184,329)
Profit before income tax expense		140,018	140,457
Income tax expense	6	(40,282)	(45,745)
Profit after income tax expense		99,736	94,712
Total comprehensive income for the year		99,736	94,712
Earnings per share for profit attributable to the ordinary shareholders of the company:			
		¢	¢
Basic earnings per share	23	22.61	21.47

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2016

	Notes	2016 \$	2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	659,806	685,670
Trade and other receivables	8	161,123	134,137
Current tax asset	11	6,428	16,606
Total Current Assets		827,357	836,413
Non-Current Assets			
Property, plant and equipment	9	121,752	127,282
Investment Property	17	200,001	200,001
Intangible assets	10	127,399	21,507
Deferred tax asset	11	16,711	28,618
Total Non-Current Assets		465,863	377,408
Total Assets		1,293,220	1,213,821
LIABILITIES			
Current Liabilities			
Trade and other payables	12	142,597	56,979
Provisions	13	72,336	80,595
Total Current Liabilities		214,933	137,574
Non-Current Liabilities			
Provisions	13	12,205	17,259
Total Non-Current Liabilities		12,205	17,259
Total Liabilities		227,138	154,833
Net Assets		1,066,082	1,058,988
Equity			
Issued capital	14	441,150	441,150
Retained earnings	15	624,932	617,838
Total Equity		1,066,082	1,058,988

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2014	441,150	615,768	1,056,918
Total comprehensive income for the year	-	94,712	94,712
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(92,642)	(92,642)
Balance at 30 June 2015	441,150	617,838	1,058,988
Balance at 1 July 2015	441,150	617,838	1,058,988
Total comprehensive income for the year	-	99,736	99,736
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(92,642)	(92,642)
Balance at 30 June 2016	441,150	624,932	1,066,082

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		1,764,373	1,831,668
Payments to suppliers and employees		(1,613,893)	(1,640,190)
Interest received		17,235	20,354
Interest paid		(8)	-
Income taxes paid		(18,198)	(83,342)
Net cash provided by operating activities	16	149,509	128,490
Cash flows from investing activities			
Payments for property, plant and equipment		(45,913)	(36,424)
Proceeds for property plant & equipment		18,182	-
Payment of intangible assets		(55,000)	-
Net cash used in investing activities		(82,731)	(36,424)
Cash flows from financing activities			
Dividends paid		(92,642)	(92,642)
Net cash used in financing activities		(92,642)	(92,642)
Net decrease in cash held		(25,864)	(576)
Cash and cash equivalents at the beginning of the financial year		685,670	686,246
Cash and cash equivalents at the end of the financial year	7(a)	659,806	685,670

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

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

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**[®] branches at Gingin and Lancelin, Western Australia.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

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

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

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

b) Revenue

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

Revenue calculation

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

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

Commission

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

Fee income

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

Ability to change financial return

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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

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).

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

g) Property, plant and equipment

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

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

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

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

Impairment

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

l) Leases

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

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

m) Provisions

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

m) Provisions (continued)

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Taxation (continued)

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Fair value measurement (continued)

- 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.

	2016 \$	2015 \$
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Note 4. Revenue from ordinary activities

Operating activities:

- services commissions	1,609,847	1,645,095
Total revenue from operating activities	1,609,847	1,645,095

Non-operating activities:

- interest received	17,074	20,354
- other revenue	4,284	3,717
Total revenue from non-operating activities	21,358	24,071
Total revenues from ordinary activities	1,631,205	1,669,166

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	7,065	5,655
- leasehold improvements	1,872	1,952
- motor vehicle	14,539	24,556

Amortisation of non-current assets:

- franchise renewal fee	23,666	23,884
	47,142	56,047

Finance costs:

- interest paid	8	-
Bad debts	178	207
Loss on disposal of asset	9,783	-

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 6. Income tax expense		
The components of tax expense comprise:		
- Current tax	33,036	46,313
- Movement in deferred tax	11,299	(2,074)
- Adjustment to deferred tax to reflect change to tax rate in future periods	608	1,506
- Under/over provision in respect to prior years	(4,661)	-
	40,282	45,745

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

Operating profit	140,018	140,457
Prima facie tax on profit from ordinary activities at 28.5% (2015: 30%)	39,905	42,137
Add tax effect of:		
- non-deductible expenses	2,788	299
- timing difference expenses	(9,657)	3,877
	33,036	46,313
Movement in deferred tax	11,299	(2,074)
Adjustment to deferred tax to reflect change of tax rate in future periods	608	1,506
Under/over provision in respect to prior years	(4,661)	-
	40,282	45,745

Note 7. Cash and cash equivalents

Cash at bank and on hand	42,658	55,601
Term deposits	617,148	630,069
	659,806	685,670

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	42,658	55,601
Term deposits	617,148	630,069
	659,806	685,670

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 8. Trade and other receivables		
Current:		
Trade receivables	132,846	121,496
Prepayments	26,533	10,736
Other receivables and accruals	1,744	1,905
	161,123	134,137

Note 9. Property, plant and equipment

Leasehold improvements		
At cost	277,344	277,344
Less accumulated depreciation	(265,794)	(263,921)
	11,550	13,423
Plant and equipment		
At cost	82,990	78,378
Less accumulated depreciation	(56,532)	(51,518)
	26,458	26,860
Motor vehicles		
At cost	111,989	141,871
Less accumulated depreciation	(28,245)	(54,872)
	83,744	86,999
Total written down amount	121,752	127,282
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	13,423	12,161
Reclassification of asset class	-	3,205
Additions	-	-
Disposals	-	-
Less: depreciation expense	(1,872)	(1,943)
Carrying amount at end	11,551	13,423

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 9. Property, plant and equipment (continued)		
Plant and equipment		
Carrying amount at beginning	26,860	34,005
Reclassification of asset class	-	(3,205)
Additions	-	1,715
Disposals	-	-
Less: depreciation expense	(7,065)	(5,655)
Carrying amount at end	19,795	26,860
Motor vehicles		
Carrying amount at beginning	86,999	76,856
Additions	41,299	34,707
Disposals	(23,353)	(11,146)
Less: depreciation expense	(14,539)	(13,418)
Carrying amount at end	90,406	86,999
Total written down amount	121,752	127,282

Note 10. Intangible assets

Franchise fee - Gingin		
At cost	105,000	50,000
Less: accumulated amortisation	(50,917)	(41,096)
	54,083	8,904
Franchise fee - Lancelin		
At cost	143,982	69,423
Less: accumulated amortisation	(70,666)	(56,820)
	73,316	12,603
Total written down amount	127,399	21,507

Note 11. Tax

Current:

Income tax refundable	(6,428)	(16,606)
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Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 11. Tax (continued)		
Non-Current:		
Deferred tax assets		
- accruals	715	1,272
- employee provisions	23,249	27,889
	23,964	29,161
Deferred tax liability		
- accruals	480	543
- property, plant and equipment	6,773	-
	7,253	543
Net deferred tax asset	16,711	28,618
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	11,907	(568)

Note 12. Trade and other payables

Current:		
Trade creditors	3,573	14,024
Other creditors and accruals	139,024	42,955
	142,597	56,979

Note 13. Provisions

Current:		
Provision for annual leave	50,377	50,070
Provision for long service leave	21,959	30,525
	72,336	80,595
Non-Current:		
Provision for long service leave	12,205	17,259
	12,205	17,259

Note 14. Contributed equity

441,150 ordinary shares fully paid (2015: 441,150)	441,150	441,150
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Notes to the financial statements (continued)

Note 14. Contributed equity (continued)

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if they control or own 10% or more of the shares in the company (the "10% limit").

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

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

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

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

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 15. Retained earnings		
Balance at the beginning of the financial year	617,838	615,768
Net profit from ordinary activities after income tax	99,736	94,712
Dividends paid or provided for	(92,642)	(92,642)
Balance at the end of the financial year	624,932	617,838

Note 16. Statement of cash flows

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

Profit from ordinary activities after income tax	99,736	94,712
Non cash items:		
- depreciation	23,476	32,163
- amortisation	23,666	23,884
- loss on disposal of asset	9,783	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(26,983)	40,751
- (increase)/decrease in other assets	22,085	(17,174)
- increase/(decrease) in payables	11,059	(35,110)
- increase/(decrease) in provisions	(13,313)	9,687
- increase/(decrease) in current tax liabilities	-	(20,423)
Net cash flows provided by operating activities	149,509	128,490

Note 17. 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.

Notes to the financial statements (continued)

Note 17. Fair value measurement (continued)

At 30 June 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements:				
Available-for-sale financial assets				
Listed investments:				
- shares in listed corporations	-	-	-	-
Unlisted investments:				
- shares in other corporations	-	-	-	-
	-	-	-	-
Property, Plant and Equipment				
Freehold land	-	-	-	-
Buildings	-	200,001	-	200,001
Plant and equipment	-	-	-	-
	-	200,001	-	200,001
Total assets at fair value	-	200,001	-	200,001

At 30 June 2015	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements:				
Available-for-sale financial assets				
Listed investments:				
- shares in listed corporations	-	-	-	-
Unlisted investments:				
- shares in other corporations	-	-	-	-
	-	-	-	-
Property, Plant and Equipment				
Freehold land	-	-	-	-
Buildings	-	200,001	-	200,001
Plant and equipment	-	-	-	-
	-	200,001	-	200,001
Total assets at fair value	-	200,001	-	200,001

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.

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 18. Leases		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	47,447	46,357
- between 12 months and 5 years	184,483	-
- greater than 5 years	-	-
	231,930	46,357

The Gingin lease is a non-cancellable lease with a five-year term which ends on 30 June 2021, two further five year options of renewal are available. Rent payable monthly in advance.

The Lancelin lease is a non-cancellable lease with a five-year term which ends on 17 March 2021, two further five year options of renewal are available. Rent payable monthly in advance.

	2016 \$	2015 \$
Note 19. Auditor's remuneration		
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,100	4,100
- share registry services	4,705	-
- other non audit services	3,326	1,150
	12,131	5,250

Note 20. Director and related party disclosures

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

Stephen James Beckwith
David William Roe
Irene Betty Neville
Thomas Cesare Cabassi
Ronald Owen Pollard
Robert William Kestel
Malcolm Robert Harrington
Elle Armitage
Anthony Robert Colotti
Wendy Lynette Harris

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.

Notes to the financial statements (continued)

Note 20. Director and related party disclosures (continued)

	2016	2015
Directors' shareholdings		
Stephen James Beckwith	2,000	2,000
David William Roe	6,001	6,001
Irene Betty Neville	5,000	5,000
Thomas Cesare Cabassi	4,301	4,301
Ronald Owen Pollard	10,301	10,301
Robert William Kestel	1,001	1,001
Malcolm Robert Harrington	1,000	1,000
Elle Armitage	100	100
Anthony Robert Colotti	-	-
Wendy Lynette Harris	200	200

There was no movement in Directors' shareholdings during the year.

	2016 \$	2015 \$
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Note 21. Dividends paid or provided

a. Dividends paid during the year

Current year dividend		
100% (2015: 100%) franked dividend - 21 cents (2015: 21 cents) per share	92,642	92,642
The tax rate at which dividends have been franked is 30% (2015: 30%).		

b. Franking account balance

Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	439,726	461,233
- franking debits that will arise from refund of income tax as at the end of the financial year	(13,268)	(16,606)
- 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:	426,458	444,627
- 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	426,458	444,627

Notes to the financial statements (continued)

Note 22. Key Management Personnel Disclosures

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

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

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**® branches at Gingin and Lancelin. 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 \$200 for the year ended 30 June 2016 (2015: \$50).

	2016	2015
	\$	\$

Note 23. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	99,736	94,712
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	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	441,150	441,150

Note 24. Events occurring after the reporting date

There have been no events after the end of the financial year that would materially affect the financial statements.

Note 25. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets at the date of this report to affect the financial statements.

Note 26. Commitments

The company has commitments to provide funds to community groups which are contingent upon those groups meeting certain conditions associated with those grants. If those conditions were met at 30 June 2016 total commitments would be \$24,000.

Note 27. Segment reporting

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

Notes to the financial statements (continued)

Note 28. 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

3 Constable Street
Gingin WA 6503

Principal Place of Business

3 Constable Street
Gingin WA 6503

442 Lancelin Plaza
Lancelin WA 6044

Note 29. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 %	2015 %
Financial assets												
Cash and cash equivalents	42,658	55,601	617,148	630,069	-	-	-	-	-	-	2.29	2.65
Receivables	-	-	-	-	-	-	-	-	132,846	121,496	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	3,573	14,024	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Notes to the financial statements (continued)

Note 29. Financial instruments (continued)

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%	6,598	6,857
Decrease in interest rate by 1%	6,598	6,857
Change in equity		
Increase in interest rate by 1%	6,598	6,857
Decrease in interest rate by 1%	6,598	6,857

Directors' declaration

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

In the opinion of the directors:

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

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



Stephen James Beckwith,
Chairman

Signed on the 27th of August 2016.

Independent audit report



Independent auditor's report to the members of Gingin Districts Community Financial Services Limited

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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

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Independent audit report (continued)

Independence

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

Auditor's opinion on the financial report

In our opinion:

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



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 27 August 2016



David Hutchings
Lead Auditor

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