



Annual Report 2016

Goodwood/Highgate Community
Financial Services Ltd

ABN 54 112 676 294

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Chairperson's report

For year ending 30 June 2016

We are in a new banking world of record low interest rates, low borrowings and rapid pay downs of loans. This has had an effect on Goodwood and Bendigo Bank as General Manager Mike Hurst of Bendigo and Adelaide Bank Limited (BEN) reported, "You will all be aware we are in a very low growth period both here in Australia and around the world, and with the record low interest rates and highly competitive environment, revenue growth will continue to be a challenge."

(See Mon 8/8/2016: www.bendigoadelaide.com.au/public/shareholders/announcements/latest_media_announcements_detail.asp?nID=867)

It is a challenge for Goodwood **Community Bank**[®] Branch, but we have maintained our enviable regard for money management and cost control to keep our budgets in order. Importantly, Goodwood **Community Bank**[®] Branch has been able to maintain its high deposit levels and, as the cycle of banking is turning, these assets are becoming more important in the management of the branch's performance. Again, as noted by Mike Hurst when speaking of the BEN performance, "Even though our Group-wide profit is relatively flat to last year, this financial year has seen a return to good lending growth and very strong deposit growth for our Bank. This means our balance sheet is well positioned for the challenging environment we are operating in. In a market where deposits are going to be very important to banks, we need to maintain this momentum."

(See Mon 8/8/2016: www.bendigoadelaide.com.au/public/shareholders/announcements/latest_media_announcements_detail.asp?nID=867)

In this new world of banking, Goodwood **Community Bank**[®] Branch has many new things happening.

The **Community Bank**[®] company has a new Franchise Agreement. Its introduction and acceptance took some significant induction and instruction of all the Board members.

There are new reporting requirements following the review of Bendigo Bank's **Community Bank**[®] network Australia-wide. This review, called Project Horizon, has seen new information, benchmarks and mechanisms to calculate the income for the **Community Bank**[®] branch.

There are new funding arrangements with the Marketing Fund being pared back, and a portion put into a collaborative fund. This will be spent across the regions and state-wide rather than in the local area of Goodwood. There is a committee made up of all **Community Bank**[®] branches in the region to manage this fund.

There are also new arrangements within Bendigo Bank including a re-organising into new regions with new staff and management roles.

There are new and competitive products that have made a difference to the sales made by the staff of Goodwood. There are also new performance targets set Bendigo Bank.

Goodwood **Community Bank**[®] Branch is pleased to announce new community partnerships with Swim SA and St. John's. Goodwood **Community Bank**[®] Branch has been fundraising with these partners and offering services to these peak not-for-profit service providers.

In keeping abreast with the changes the Board has gone through many changes as well. New members joined the Board in the 2015/16 financial year. These include Board members Leticia Mooney, Catherine Schultz and Richard Staggs.

The branch has new staff members (see Manager's report) who have enlivened the branch and brought the wisdom of youth that has improved the branch's digital presence.

We have also had some Board members leave us. These include Jane Zadow, Bruce Debenham, Mark Brindal and, Ross Richards. Staff too has left (see Manager's report). I thank those members who have left. Their legacy is a strong **Community Bank**[®] branch and the appreciation of the **Community Bank**[®] branch community and stakeholders.

Chairperson's report (continued)

I would also like to thank Mike Clutterham whose contribution has been significant. Once he was the only Bendigo Bank representative in South Australia and dealt with the **Community Bank**[®] branches as the link between them and Bendigo Bank. Whilst Mike is retiring, new representatives will replace him, but no one can replace the corporate memory he holds, and the understanding he has of the nuances of the cultures of our **Community Bank**[®] branch.

Nola, our Manager, undertook a survey of support for Saturday trading among the branch's customers. She reported that only 8% stated in favour of trading being retained. It was noted that 98% of users on Saturdays were not Goodwood customers. Most Goodwood **Community Bank**[®] Branch customers use digital access or shop EFTPOS to get their banking done on the weekends. As a result we are no longer open on Saturday mornings.

The decision was not made lightly. The saving was of substance, but much of the discussion was about the impact of the change to the services and the issue of "point of difference" offered by Saturday trading. On balance the decision was made to close Saturdays but subject to continual review.

Finally, and on a high note, the branch celebrated its 10th birthday and in a new way by holding a function at the end of the year (1 April 2016) rather than the start. The event was a toast to the bank with many founder members as guests celebrating ten years of achievement.

I would like to extend my personal thanks and that of the Board to our Company Secretary Diana Jukes, and to our Manager Nola Sampson and her staff for their commitment to the success of the Goodwood **Community Bank**[®] Branch. And I would also like to thank our shareholder and customers for their continued support.

My thanks also to my fellow volunteer Board Members for their work and support over the last 12 months year.



Michael Keenan
Chairperson

Manager's report

For year ending 30 June 2016

The 2015/16 financial year has seen many changes, challenges, and rewards for the Goodwood **Community Bank**[®] Branch. We have passed our ten-year milestone and are now into our 11th year of service to the Goodwood community.

Our staff FTE remains the same. Gina Fragoulis left the branch to secure a full-time position, and Jackie Rosa also left to secure a full-time job. We have recruited Stacey Thomas to fill the part-time vacancy left by Gina and Puneet Aggarwal who is now in the branch 10 hours per week role. We have implemented a succession plan, and the branch can now cover any such leave and sickness when required. Joanne Lord our senior Customer Service Officer has begun a transition to retirement.

We have had many compliments this year attesting to the high standard of Customer service provided by the team. Our branch still maintains one of the highest rates for customers attending the branch to transact. We have also maintained costs levels much lower than our peers around Australia.

This year has seen some changes within Bendigo Bank and the **Community Bank**[®] structure. We now sit in a region that is comprised wholly of **Community Bank**[®] branches. Mike Clutterham has retired, and he has been replaced by Alison Burr.

We continue the long tradition of giving back to the community. Our community vehicle is still being used by the Unley Council to provide transport for the elderly and infirmed. The branch continues with its strategies of building relationships with the not for profit organisations in our region. Stand out partnerships exist with the Goodwood Indians, Goodwood Saints, Goodwood Primary School, the Farmers Markets and RSL Care.

The clubs and not-for-profit organisations that benefit from the **Community Bank**[®] ethos of giving back to the community are our best promotion.

The branch team remains focused on excellent customer service and a real dedication to the success of the branch. We have again delivered a profit, albeit small. The before tax profit for this year was \$31,274 and for 2015 \$56,928. We continue to enjoy a reasonable balance of deposits and lending. There has been a lift in the number of products held by customers which are indicative of their loyalty to the **Community Bank**[®] branch. The challenge in the current economic climate is to retain the Lending portfolio as our clients make the most of the record low-interest rates to pay down debt. New lending is high on our agenda for the new financial year.

The team and I look forward to the year ahead and the opportunities it presents us. We have several new Board members and a new franchise agreement, so there are many changes afoot.

Please remember that the shareholder dividend paid is directly proportionate with the economic success of the **Community Bank**[®] branch, and we would appreciate your assistance in sharing our **Community Bank**[®] story with as many of your family and friends as you can.



Nola Sampson
Branch 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:

Anthony Michael Keenan

Chairperson

Occupation: Executive Officer

Qualifications, experience and expertise: Holds B.A.; Dip. Ed.; B.Ed.;M. Ed.; Workplace Trainer IV (cat.2); Certificate Director (UCLA); Grad. Certificate Public Relations; GIA.(cert). Executive Officer- Club One (SA) Ltd (2006-present); Mayor Unley 1991-2006;Unley Councillor 1982-1991. Chairperson for Goodwood Community Services (1981-2011;2015-present). Centenary Medal; Paul Harris Fellow.

Special responsibilities: Chairperson

Interest in shares: 600

Susan Patricia Straschko

Director

Occupation: Pharmacy Retail Manager

Qualifications, experience and expertise: Susan bought the Highgate Pharmacy with her husband in July 1991. Susan is Chair of the Fullarton Road South Trader's Association Inc. and a member of the Unley Business and Economic Development Committee.

Special responsibilities: Member of Marketing Committee

Interest in shares: 10,001

Diana Anthea Swanson

Director

Occupation: Development and Communications Manager

Qualifications, experience and expertise: Diana joined the Cora Barclay Centre for deaf children in December 2014 as Development and Communications Manager. Prior to this she worked at the Royal Society for the Blind of SA (RSB) as Marketing and Fundraising Manager for over 6 years. Previous roles have included running her own business and also working for companies such as Orlando Wyndham Wines (Pernod Ricard Asia) and McDonald's Family Restaurants in senior marketing roles. Diana honed her marketing skills during her early career with organisations such as National Foods, Southcorp, Berri Estates/Renmano Wines and Detmold Packaging where her focus was brand management. Diana holds a Bachelor of Arts Degree from Flinders University, Adelaide. Further study has included the Executive Management Development Program at the University of Adelaide and Macquarie School of Management NSW, HEC Management Programmes Pour Dirigeants, Paris and International McDonald's Marketing, Chicago University. Diana has also completed a Diploma in Financial Planning.

Special responsibilities: Member of Marketing Committee

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Giuliano Vito Rech

Director (Appointed 14 July 2015)

Occupation: Manager

Qualifications, experience and expertise: Giuliano is Managing Director of Electronic Corporation Pty Ltd., a company which provides electronics and IT equipment repair services through various trading entities, including the South Australian icon television repair company Telefix. Giuliano has board experience in the Banking and Financial Services industry. Giuliano holds a Master of Business Administration, is a Fellow of the Australian Institute of Company Directors, a Fellow of the Australian Institute of Management and a Senior Member of the Australian Computer Society. Giuliano is also a Director of the RSPCA (SA), other community organisations and a past Local Government Councillor.

Special responsibilities: Nil

Interest in shares: Nil

Heather Brown

Director (Appointed 26 November 2015)

Occupation: Retired

Qualifications, experience and expertise: Heather has a Diploma of Management and is currently studying for a Bachelor of Arts. Heather has expertise in WH & S, Human Resources, Policies and Procedures, Customer Services, Accounting and Secretarial Services. Heather was assistant accountant for Michell Wool Brokers, British Aerospace and Senior Team Leader for the Australian Taxation Office until retirement in 2012, and was a Local Councillor for the Unley City Council 1990-2001. Heather is a Community Volunteer for various groups and President of Disability Volleyball (SA) Inc both State and National, promoting and establishing sport for the Disabled.

Special responsibilities: Nil

Interest in shares: Nil

Catherine Mary Schultz

Director (Appointed 3 March 2016)

Occupation: Management Consultant & Non-Executive Director

Qualifications, experience and expertise: Catherine has a BA Accounting, MBA, FCA, FAICD. Catherine is an accomplished Chief Executive Officer with 30 years experience in the services industry and over 15 years working at the Executive, CEO and Board level. She currently runs her own Management Consultancy business, Catherine Schultz Consulting, is Chairperson of the Adelaide Cemeteries Authority (ACA) Board, Director of SYC Ltd and former Director of the State Procurement Board (SPB). She was previously GM/CEO of Wallmans Lawyers (2001-2011), where she doubled revenue and increased Net Profit Margin. Catherine brings significant financial, human resources and general management know-how to the Board. She has been involved in significant change and project management and is an experienced auditor and advisor on risk, governance and compliance.

Special responsibilities: Audit Committee

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Leticia Mooney

Director (Appointed 3 March 2016 - Resigned 5 July 2016)

Occupation: Director and Content Strategist

Qualifications, experience and expertise: Leticia holds BA(Honours) and Certificate IV Small Business Management, Qualified Lead Auditor, Lloyd's Register LRQA, Certificate Number 15/1493. For the last 3 years Leticia has been a director and content strategist at Brutal Pixie, providing content strategy services for companies, including content audits, readiness audits, project management, content lifecycle management, risk management, governance, content development and strategy alignment.

Interest in shares: Nil

Ross Richards

Director (Resigned 4 April 2016)

Occupation: Solicitor

Qualifications, experience and expertise: Solicitor. Bachelor of Laws. Graduate Diploma in Legal Practice. Owned/ Operated varied businesses including a Pharmacy, Café, Law Firm, Commercial Property Management and sits on various advisory boards.

Special responsibilities: Audit Committee

Interest in shares: Nil

Mark Kennion Brindal

Director (Resigned 26 November 2015)

Occupation: Retired

Qualifications, experience and expertise: Education administration, former Member for Unley, Former Government Minister, Justice of the Peace.

Special responsibilities: Member of Audit committee

Interest in shares: 500

Jane Elizabeth Zadow

Director (Resigned 20 October 2015)

Occupation: General Manager, Corporate Services

Qualifications, experience and expertise: A Fellow of Institute of Chartered Accountants with 7 years experience in major professional accounting firms followed by more than 25 years general banking and commercial experience.

Special responsibilities: Chair of Audit Committee, Member of Governance, Human Resources and Shareholder Relations Committee

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Bruce Francis Debenham

Director (Resigned 19 October 2015)

Occupation: Chartered Accountant

Bruce is a Director of Perks Finance and a seasoned risk management professional with over twenty years' experience in banking and finance, management consulting and insolvency. Bruce has previously worked for Arthur Anderson, PricewaterhouseCoopers, National Australia Bank and Rural Bank (a wholly owned subsidiary of Bendigo and Adelaide Bank Group). Bruce has significant experience in credit risk assessment and management with exposure to a variety of industries in agricultural, commercial and retail banking. Bruce has a comprehensive knowledge and understanding of the Corporations Act and insolvency law, including compliance and regulatory requirements within the banking industry which enables him to bring a balanced approach to discussions and decision making at the Board level. Bruce holds a BSc (Hons) and is a Fellow of Chartered Accountants Australia and New Zealand. He is also a member of the Australian Institute of Company Directors, the Mortgage and Finance Association of Australia and the Australian Restructuring Insolvency and Turnaround Association. Bruce is a Regional Council member of Chartered Accountants Australia and New Zealand in SA and the NT as well as being a member of the Regional and Rural Advisory Committee and the Chartered Accountants in Business Committee for SA for Chartered Accountants Australia and New Zealand.

Special responsibilities: Finance Committee, Marketing and Community Relations Committee

Interest in shares: Nil

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

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

Company Secretary

Diana Jukes was appointed as company secretary on 22 November 2012. Diana is employed as the Financial Manager with the local farmer's market and has lived in Goodwood for over 25 years. She holds a Bachelor of Economics Degree from The University of Adelaide.

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 of the company for the financial year after provision for income tax was:

Year ended 30 June 2016	Year ended 30 June 2015
\$	\$
19,626	35,276

Dividends

	Year ended 30 June 2016	
	Cents	\$
Dividends paid in the year:	2	16,356

Directors' report (continued)

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
Anthony Michael Keenan	11	11
Susan Patricia Straschko	11	9
Diana Anthea Swanson	11	8
Giuliano Vito Rech (Appointed 14 July 2015)	11	8
Heather Brown (Appointed 26 November 2015)	7	7
Catherine Schultz (Appointed 3 March 2016)	4	4
Leticia Mooney (Appointed 3 March 2016 - Resigned 5 July 2016)	4	2
Ross Richards (Resigned 4 April 2016)	8	4
Mark Kennion Brindal (Resigned 26 November 2015)	5	3
Jane Elizabeth Zadow (Resigned 20 October 2015)*	4	3
Bruce Francis Debenham (Resigned 19 October 2015)	3	2

* Jane had a temporary leave of absence from 24 April 2015 to 30 June 2015.

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

Auditor's independence declaration

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

Signed in accordance with a resolution of the board of directors at Goodwood, South Australia on 12 August 2016.



**Anthony Michael Keenan,
Chairman**

Auditor's independence declaration



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

As lead auditor for the audit of Goodwood/Highgate 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: 12 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.

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

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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	563,135	586,198
Employee benefits expense		(328,227)	(311,728)
Charitable donations, sponsorship, advertising and promotion		(28,575)	(31,644)
Occupancy and associated costs		(63,738)	(66,966)
Systems costs		(19,235)	(19,618)
Depreciation and amortisation expense	5	(26,235)	(32,815)
General administration expenses		(65,851)	(66,499)
Profit before income tax expense		31,274	56,928
Income tax expense	6	(11,648)	(21,652)
Profit after income tax expense		19,626	35,276
Total comprehensive income for the year		19,626	35,276
Earnings per share for profit attributable to the ordinary shareholders of the company:			
		¢	¢
Basic earnings per share	21	2.40	4.31

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	282,049	246,053
Trade and other receivables	8	55,953	51,024
Total Current Assets		338,002	297,077
Non-Current Assets			
Property, plant and equipment	9	110,024	114,674
Intangible assets	10	55,355	1,159
Deferred tax asset	11	75,240	86,888
Total Non-Current Assets		240,619	202,721
Total Assets		578,621	499,798
LIABILITIES			
Current Liabilities			
Trade and other payables	12	94,878	23,946
Provisions	13	15,184	18,355
Total Current Liabilities		110,062	42,301
Non-Current Liabilities			
Provisions	13	17,444	9,652
Total Non-Current Liabilities		17,444	9,652
Total Liabilities		127,506	51,953
Net Assets		451,115	447,845
Equity			
Issued capital	14	802,691	802,691
Accumulated losses	15	(351,576)	(354,846)
Total Equity		451,115	447,845

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2014	802,691	(373,766)	428,925
Total comprehensive income for the year	-	35,276	35,276
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(16,356)	(16,356)
Balance at 30 June 2015	802,691	(354,846)	447,845
Balance at 1 July 2015	802,691	(354,846)	447,845
Total comprehensive income for the year	-	19,626	19,626
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(16,356)	(16,356)
Balance at 30 June 2016	802,691	(351,576)	451,115

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		614,749	648,137
Payments to suppliers and employees		(560,424)	(543,470)
Interest received		6,027	5,393
Net cash provided by operating activities	16	60,352	110,060
Cash flows from investing activities			
Payments for property, plant and equipment		(8,000)	-
Net cash used in investing activities		(8,000)	-
Cash flows from financing activities			
Dividends paid		(16,356)	(16,356)
Net cash used in financing activities		(16,356)	(16,356)
Net increase in cash held		35,996	93,704
Cash and cash equivalents at the beginning of the financial year		246,053	152,349
Cash and cash equivalents at the end of the financial year	7(a)	282,049	246,053

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 Goodwood, South Australia.

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.

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**[®] 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.

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 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

m) Provisions (continued)

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Taxation (continued)

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- services commissions	558,002	580,805
Total revenue from operating activities	558,002	580,805
Non-operating activities:		
- interest received	5,133	5,393
Total revenue from non-operating activities	5,133	5,393
Total revenues from ordinary activities	563,135	586,198

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	9,051	15,331
- leasehold improvements	3,599	3,599

Amortisation of non-current assets:

- franchise agreement	2,314	2,314
- franchise renewal fee	11,271	11,571
	26,235	32,815

Bad debts	38	4
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Note 6. Income tax expense

The components of tax expense comprise:

- Movement in deferred tax	(839)	(3,164)
- Recoupment of prior year tax losses	8,581	20,243
- Adjustment to deferred tax to reflect change to tax rate in future periods	2,736	4,573
- Under/over provision in respect to prior years	1,170	-
	11,648	21,652

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

Operating profit	31,274	56,928
Prima facie tax on profit from ordinary activities at 28.5% (2015: 30%)	8,913	17,079
Add tax effect of:		
- timing difference expenses	(332)	3,164
	8,581	20,243

Notes to the financial statements (continued)

	Note	2016 \$	2015 \$
Note 6. Income tax expense (continued)			
Movement in deferred tax		(839)	(3,164)
Adjustment to deferred tax to reflect change of tax rate in future periods		2,736	4,573
Under/over provision in respect to prior years		1,170	-
	11	11,648	21,652

Note 7. Cash and cash equivalents

Cash at bank and on hand	107,553	52,216
Term deposits	174,496	193,837
	282,049	246,053

The bank has an approved Overdraft facility of \$150,000 from Bendigo and Adelaide Bank Limited. The Overdraft is secured by a fixed and floating charge over the company's assets.

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	107,553	52,216
Term deposits	174,496	193,837
	282,049	246,053

Note 8. Trade and other receivables

Trade receivables	43,226	44,170
Prepayments	11,557	-
Other receivables and accruals	1,170	6,854
	55,953	51,024

Note 9. Property, plant and equipment

Leasehold improvements		
At cost	143,957	143,957
Less accumulated depreciation	(38,399)	(34,800)
	105,558	109,157

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 9. Property, plant and equipment (continued)		
Plant and equipment		
At cost	106,287	106,287
Less accumulated depreciation	(101,821)	(100,770)
	4,466	5,517
Motor Vehicles		
At cost	8,000	-
Less accumulated depreciation	(8,000)	-
	-	-
Computer Equipment		
At cost	247	247
Less accumulated depreciation	(247)	(247)
	-	-
Total written down amount	110,024	114,674
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	109,157	112,756
Additions	-	-
Disposals	-	-
Less: depreciation expense	(3,599)	(3,599)
Carrying amount at end	105,558	109,157
Plant and equipment		
Carrying amount at beginning	5,517	20,848
Additions	-	-
Disposals	-	-
Less: depreciation expense	(1,051)	(15,331)
Carrying amount at end	4,466	5,517
Motor vehicles		
Carrying amount at beginning	-	-
Additions	8,000	-
Disposals	-	-
Less: depreciation expense	(8,000)	-
Carrying amount at end	-	-
Total written down amount	110,024	114,674

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 10. Intangible assets		
Franchise fee		
At cost	82,867	71,570
Less: accumulated amortisation	(73,641)	(71,377)
	9,226	193
Renewal processing fee		
At cost	114,337	57,853
Less: accumulated amortisation	(68,208)	(56,887)
	46,129	966
Total written down amount	55,355	1,159

Note 11. Tax

Non-Current:

Deferred tax assets		
- accruals	1,004	1,012
- employee provisions	8,973	7,981
- tax losses carried forward	66,321	78,483
	76,298	87,476
Deferred tax liability		
- accruals	322	588
- property, plant and equipment	736	-
	1,058	588
Net deferred tax asset	75,240	86,888
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	11,648	21,652

Note 12. Trade and other payables

Other creditors and accruals	94,878	23,946
	94,878	23,946

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 13. Provisions		
Current:		
Provision for annual leave	15,184	18,355
Non-Current:		
Provision for long service leave	17,444	9,652

Note 14. Contributed equity

817,810 ordinary shares fully paid (2015: 817,810)	817,810	817,810
Less: equity raising expenses	(15,119)	(15,119)
	802,691	802,691

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.

Notes to the financial statements (continued)

Note 14. 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 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.

	2016 \$	2015 \$
Note 15. Accumulated losses		
Balance at the beginning of the financial year	(354,846)	(373,766)
Net profit from ordinary activities after income tax	19,626	35,276
Dividends paid or provided for	(16,356)	(16,356)
Balance at the end of the financial year	(351,576)	(354,846)

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	19,626	35,276
Non cash items:		
- depreciation	12,650	18,930
- amortisation	13,585	13,885

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 16. Statement of cash flows (continued)		
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(4,929)	2,048
- (increase)/decrease in other assets	11,648	21,652
- increase/(decrease) in payables	3,151	2,658
- increase/(decrease) in provisions	4,621	15,611
Net cash flows provided by operating activities	60,352	110,060

Note 17. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments:

- not later than 12 months	40,231	39,636
- between 12 months and 5 years	120,693	158,544
- greater than 5 years	-	-
	160,924	198,180

The branch premises lease is a non-cancellable lease with a five-year term that was renewed in July. Rent is payable monthly in advance and increases annually by CPI.

Note 18. Auditor's remuneration

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

- audit and review services	5,050	5,050
- other non audit services	2,330	2,200
	7,380	7,250

Notes to the financial statements (continued)

Note 19. Director and related party disclosures

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

Anthony Michael Keenan
 Susan Patricia Straschko
 Diana Anthea Swanson
 Giuliano Vito Rech (Appointed 14 July 2015)
 Heather Brown (Appointed 26 November 2015)
 Catherine Schultz (Appointed 3 March 2016)
 Leticia Mooney (Appointed 3 March 2016 - Resigned 5 July 2016)
 Ross Richards (Resigned 4 April 2016)
 Mark Kennion Brindal (Resigned 26 November 2015)
 Jane Elizabeth Zadow (Resigned 20 October 2015)
 Bruce Francis Debenham (Resigned 19 October 2015)

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2016 \$	2015 \$
Transactions with related parties:		
Susan is the owner of Highgate Pharmacy and operated the Highgate Agency of Goodwood Community Bank Branch of Bendigo and Adelaide Bank Ltd. The agency closed in November 2014.	-	882

	2016	2015
Directors' shareholdings		
Anthony Michael Keenan	600	600
Susan Patricia Straschko	10,001	10,001
Diana Anthea Swanson	-	-
Giuliano Vito Rech (Appointed 14 July 2015)	-	-
Heather Brown (Appointed 26 November 2015)	-	-
Catherine Schultz (Appointed 3 March 2016)	-	-
Leticia Mooney (Appointed 3 March 2016 - Resigned 5 July 2016)	-	-
Ross Richards (Resigned 4 April 2016)	-	-
Mark Kennion Brindal (Resigned 26 November 2015)	500	500
Jane Elizabeth Zadow (Resigned 20 October 2015)	-	-
Bruce Francis Debenham (Resigned 19 October 2015)	-	-

There was no movement in directors shareholdings during the year.

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 20. Dividends paid or provided		
a. Dividends paid during the year		
Current year dividend		
100% (2015: Unfranked) dividend - 2 cents (2015: 2 cents) per share	16,356	16,356

Note 21. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	19,626	35,276
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	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	817,810	817,810

Note 22. 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 23. 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 24. Segment reporting

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

Note 25. 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

97 Goodwood Road
Goodwood SA 5034

Principal Place of Business

97 Goodwood Road
Goodwood SA 5034

Notes to the financial statements (continued)

Note 26. 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	107,553	52,216	174,496	193,837	-	-	-	-	-	-	1.95	2.69
Receivables	-	-	-	-	-	-	-	-	43,226	44,170	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	94,878	23,946	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

Notes to the financial statements (continued)

	2016	2015
	\$	\$
Note 26. Financial instruments (continued)		
Sensitivity Analysis (continued)		
Change in profit/(loss)		
Increase in interest rate by 1%	2,820	2,461
Decrease in interest rate by 1%	(2,820)	(2,461)
Change in equity		
Increase in interest rate by 1%	2,820	2,461
Decrease in interest rate by 1%	(2,820)	(2,461)

Directors' declaration

In accordance with a resolution of the directors of Goodwood/Highgate 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.



**Anthony Michael Keenan,
Chairman**

Signed on the 12th of August 2016.

Independent audit report



Independent auditor's report to the members of Goodwood/Highgate Community Financial Services Limited

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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

P: (03) 5443 0344

F: (03) 5443 5304

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

afs@afsbendigo.com.au

www.afsbendigo.com.au

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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 Goodwood/Highgate 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: 12 August 2016



David Hutchings
Lead Auditor

Goodwood **Community Bank**[®] Branch
97 Goodwood Road, Goodwood SA 5034
Phone: (08) 8357 7702 Fax: (08) 8357 7785

Franchisee: Goodwood/Highgate Community Financial Services Ltd
PO Box 554, Goodwood SA 5034
ABN: 54 112 676 294

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