Annual Report 2016

Grampians Regional Community Enterprises Limited

ABN 29 139 414 234

Dunkeld & District **Community Bank**® Branch

Annual Reports

Chairman's Annual Report

Our Customers

Each year I begin this report by thanking our customers. Stating the very obvious, this business needs customers, so welcome to our new ones and thanks again to all customers. Our main customer base is spread across the towns and rural areas of Penshurst, Cavendish and Dunkeld. We have many customers who support our business and live elsewhere, I especially thank these people.

Community Funding

As our business grows and becomes more profitable we are able to invest more and more funds back into our communities, more than $125,000 to 30 June 2016.

Our Shareholders

The Grampians Regional Community Enterprises Limited (GRCEL) Board recognises your commitment, support and patience. As the branch business continues to grow we look forward to reaching a point of strength when a dividend can be paid and we are to invest significant funds back to our communities through our shareholders.

Record Growth, Branch Staff we are proud of.

The FUM (Funds under Management) grew by more than $15 million in the financial year to 30 June 2016, closing at $70+ million. This is the highest annual growth since our doors opened for business in February 2011.

This is an excellent result for which Anna Watson and her staff can be very proud. The branch is always tidy and is a welcoming place. On behalf of the GRCEL Board and our shareholders I congratulate Anna, Susan, Rebecca and Louise for a job very well done.

Profitable for the first time

With great pride I am able to report a net profit for the first time. As stated in previous Annual General Meeting (AGM) Chairman's reports, becoming profitable has been our primary focus. To report a profit is a milestone the GRCEL Board are very proud of. Hopefully this coming year will allow us to consolidate the business, ensuring good capital reserves, creating a strong platform from which to achieve our vision of building robust, sustainable communities.

The business has a good balance of loans, deposits and rural business. Factors such as low interest rates, customer debt pay down and so forth remain daily challenges, factors we have no control over. However we have been resilient to now and intend to remain so. Focus remains on developing all segments of our business (such as insurances, credit cards, wealth products) which will continue to strengthen our growth potential.

Rural Business remains a key focus moving forward.

The integration of Rural Bank and Rural Finance with the Bendigo and Adelaide Bank (BBL) business continues to evolve. Locally we have a change of faces with Ewan Tope, supported by Hugh MacDonald working with the Branch at a local level. Our long term profitability is closely linked to our ability to increase our rural portfolio.

Chairman's Annual Report (continued)

Bendigo Bank, a good working relationship

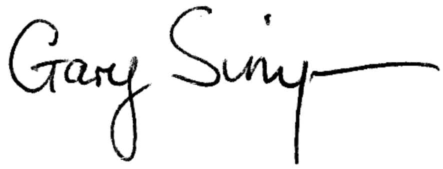
How well the BBL deliver their side of the deal is critical to our ongoing success. We are reliant on BBL to be competitive in the market place, to train and develop our staff, to be a modern bank of today and embrace the challenges of the future. Our success depends on BBL success.

BBL has made some Regional changes. We are now part of the Ballarat & Western Victoria Region, with two new Regional Managers. Leanne Martin, Senior Manager Strategy & Performance – Ballarat & Western Victoria and will work at the branch level primarily, with Anna. Mark O'Dowd, Senior Manager Community Relationships – Ballarat & Western Victoria will work closely with the GRCEL Board with a strong community focus. We have signed a new Franchise Agreement, which, together with the role out of Project Horizon brings change to the way the partnership works. Our relationship with BBL is very good and it is important this remains so.

GRCEL Board welcomes new members

Welcome to Helen Nielsen and Sue Morse. Both are taking on executive rolls and bring new skills to our Board. To my colleagues I wish to thank you all for your support and the amount of voluntary time you give. The purpose for doing what we do can easily become lost in 'the doing'. It is important to remember why we are doing this, to be proud of what has been achieved and enjoy the ongoing journey.

A special 'thank-you' to Penny Fraser who now finishes as Acting Secretary after returning to fill the role over the last 12 months or so. Your expertise and commitment since 2008 has been very important to our success. It is fitting you were part of the team in our first profitable year.



Gary John Simpson
Chairman

Manager's Report

For year ending 30 June 2016

It is with pleasure that I submit my annual report to the Board and shareholders for the 2015/16 financial year.

I need to begin by thanking my staff, their commitment and passion to our branch, the Bank and our community is remarkable. We welcomed Louise Field to our team this year; she joined Susan Tully and Rebecca Howell. Sadly for us Pedita van Hees left us in January 2016 but full credit to her, she was promoted to the Branch Manager of the Beaufort **Community Bank®** Branch, we wish her all the best for the future.

I would like to thank our customers, our Board of Directors, and our shareholders for their ongoing support. I would also like to thank our Bendigo and Adelaide Bank representatives, especially our Regional Manager Scott Whatley, for his dedicated work and support.

This financial year, we have seen our business grow to total 'footings' (loans and deposits) of $74.5 million as at 30 June 2016. This is an increase of 26.7 percent for the year or $15.6 million.

At 30 June 2016 we had 990 customers, with 1,705 accounts, an increase of 6.5 percent and 8.5 percent respectively from the previous year.

Dunkeld & District **Community Bank®** Branch has contributed $123,806 to the local community as at 30 June 2016. To date, more than $148 million has been returned to local communities Australia-wide, funding projects local people deem important via Bendigo Bank's **Community Bank®** network.

There were quite a few new innovations, initiatives and products launched during the year. One of our more exciting was eStatements, an initiative that offers customers choice in how they receive banking information while reducing paper consumption.

The other main launch was the Bendigo Connect Home Loan Package, introduced in March 2016. Bendigo Connect allows customers to choose from a range of products that suit their individual needs, with discounts offered to the complementary products as well as the home loan. Complementary products include, but are not limited to, insurance, transaction, term deposit and credit card accounts.

Others included, Bendigo Invest Direct (BID), the Bendigo Bank's new online share trading platform and the Bendigo CommunitySaver Account helping customers reach their savings goals while providing financial assistance to organisations whose mission is to improve social, environmental or economic welfare for their community.

Bendigo SmartStart Super® again proved popular as a low-cost super product that can set you on the right path. We can also help you change funds, combine accounts, or find lost super.

Bendigo Bank relaunched Switch to Save this year, a program that forms part of the Victorian Government's energy saving scheme to encourage Victorian households and businesses to exchange their power-thirsty halogen down lights with energy efficient LED lights free. In the past year, about 55,000 lights were installed at 2,680 houses and businesses, saving 47,200 tonnes of carbon emissions or the equivalent to removing 10,000 cars off the road for a year. In addition, the Bank donated more than $65,000 to fund selected local Victorian primary schools' environmental programs.

I ask for our shareholders help in bringing new business to the branch, either your own, your acquaintances or with an introduction to community groups you are involved in. Your help is invaluable to growing our business and with every new customer and account opening, that's more that's available to be paid in community contributions and progressing towards a dividend.

We have had another great year in what most would term a difficult and competitive financial environment. We have a close working relationship with Bendigo head office, state office and regional support staff.

Manager's Report (continued)

We are proud to be a partner in Australia's fifth largest full service retail bank with 600 service outlets, including 314 locally owned **Community Bank®** branches.

Banking is an everyday function for every single person in the community.

The difference with the **Community Bank®** model is that every time people bank with their local **Community Bank®** branch, the bottom line increases and as such, community contributions and dividends increase as well.

So if you are not banking with us yet, I would like to invite you to drop in or call us to be a part of something special.

Anna Watson
Branch Manager
Dunkeld & District Community Bank® Branch

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 community.

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

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

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:

Gary John Simpson
Chairman
Occupation: Wool Broker
Qualifications, experience and expertise: Lives in Dunkeld with his wife and has three adult children. He was born in Bacchus Marsh and spent his childhood on the family sheep farm. He has spent his working life in the wool industry and is currently employed as a wool broker. Since moving to Dunkeld in 2003 he has been a committeeman and Vice Captain at the local golf club, founding chairman of Hockey Monivae, Secretary of the Grampians Cricket Club and a member of the Dunkeld Community Centre committee.
Interest in Shares: 2,000

Brendan John Kelly
Director
Occupation: Rural Business Owner
Qualifications, experience and expertise: Is the owner of a long standing rural merchandise, fertiliser and hardware businesses in Penshurst and has run a similar business in partnership at Dunkeld since 2005. Brendan is fourth generation of the Kelly family to live and work in Penshurst and district. He currently resides in Penshurst with his wife and three children. He and his family are active in the local community being involved in the football netball club, pre school, St Joseph's School and swimming pool.
Interest in Shares: 11,500

Craig Gordon Oliver
Treasurer
Occupation: Farmer
Qualifications, experience and expertise: Craig has an Associate Diploma of Farm Management and a Graduate Diploma of Business Studies (Finance and Management). Living in Dunkeld since 1991 with his wife and children, he worked for several national and multi national agribusiness companies before pursuing a full time farming career running fine wool merinos, prime lambs and Freisian bull beef cattle. Craig has served on various industry and community committees, and is currently a member of the Pannyabyr Land care Group and the Dunkeld CFA.
Interest in Shares: 3,500

Anthony John Page
Director
Occupation: Electrical Contractor
Qualifications, experience and expertise: Has lived in Penshurst all his life. He is married with two teenage children.
As a member of the local fire brigade, Apex Club and Advance Penshurst he has undertaken a number of key roles. He started his working life as an electrical apprentice in 1981 before purchasing his current service station and electrical contracting business in 1986.
Interest in Shares: 5,000

Carley Renee Behncke
Director
Occupation: Sales Manager
Qualifications, experience and expertise: Grew up on a farm in Cavendish and was educated at the Cavendish Primary School and Baimbridge College Hamilton. She and her husband have purchased a farming property in Penshurst. She is currently employed as the Sales Manager with the local radio network and is an active member of the community, plays netball for Penshurst Football/Netball Club and sits on many local committees.
Interest in Shares: 500

David Andrew McLeod
Director
Occupation: Structural Engineer & Farmer
Qualifications, experience and expertise: David is a Structural Engineer and farmer from Woodhouse. He is currently the treasurer of Woodhouse Rural Fire Brigade. David is also an active member of the Players Ski Club Building Committee and the Woodhouse Hall Committee.
Interest in Shares: 10,000

Directors *(Continued)*

James William Schofield
Director
Occupation:
Qualifications, experience and expertise: Has managed his farming enterprise for the last 30 years. He has worked as a wool classer and more recently as Regional Officer with Greening Australia. He is President of the Woodhouse Hall and Recreational Reserve Committee.
Interest in Shares: 1,000

Dee-Anne Gerring
Director (Resigned 24 February 2016)
Occupation: Teacher
Qualifications, experience and expertise: Grew up in Dunkeld, attending primary school locally, then secondary education at Monivae College. After completing a Bachelor of Education, Dee-Anne worked in the surrounding towns of Edenhope, Balmoral and Cavendish before returning to Dunkeld to settle with her husband and teach at the Dunkeld Consolidated School. Dee-Anne is an active member and player of the Glenthompson Dunkeld Football Netball Club and other community groups.
Interest in Shares: 500

Glen Darroch
Director (Resigned 16 December 2015)
Occupation: Chief Financial Officer
Qualifications, experience and expertise: Grew up in Dunkeld and has returned to live in the town with his wife and three children. Glen is an experienced finance professional, currently working as a Commercial Manager for a multi-national mining company. He and his family are active in the Dunkeld community, heavily involved in the Glenthompson Dunkeld Football Netball Club, the Dunkeld Recreation Reserve Committee and the Dunkeld School.
Interest in Shares: 5,000

Pamela Dawn Coates
Director (Resigned 31 August 2015)
Occupation: Farmer, Admin Manager
Qualifications, experience and expertise: Grew up on a farm near Heywood. She is involved in a mixed family farm operation at Cavendish. Pam has experience of management, administration and accounting within the private sector and public service as well as involvement in various community committees. Pam provides accounting support to a local branch of an international wool buying firm.
Interest in Shares: 2,500

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

Dee-Anne Gerring resigned from the position of secretary on the 24th of February 2016. The board appointed Helen Neilson to the position of secretary on the 24th of February 2016. The appointment has yet to be finalised with ASIC.

Principal Activities

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

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

Director's Report (continued)

Operating results

Operations have continued to perform in line with expectations. The profit/(loss) of the company before income tax for the financial year was $48,914. After taking into consideration the profit before income tax, and future expected trading profits, in the opinion of the directors it is reasonable to recognise the deferred tax asset associated with the accumulated income tax losses. As a result the company has also recognised an income tax credit of $144,572. The profit/(loss) of the company for the financial year after provision for income tax was:

Year ended 30 June 2016 $	Year ended 30 June 2015 $
193,486	(23,242)

Dividends

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

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

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

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

Directors' meetings

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

	Board Meetings Attended	
	Eligible	***Attended***
Gary John Simpson	11	9
Brendan John Kelly	11	7
Anthony John Page	11	7
Craig Gordon Oliver	11	8
Carley Renee Behncke	11	6
David Andrew McLeod	11	8
James William Schofield	11	9
Dee-Anne Gerring (Resigned 24 February 2016)	6	5
Glen Daroch (Resigned 16 December 2015)	6	3
Pamela Dawn Coates (Resigned 31 August 2015)	3	1

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 5. Signed in accordance with a resolution of the board of directors at 92 Parker Street, Dunkeld on 16th September 2016.

Gary John Simpson
Chairman

Auditor's Independence Declaration

AFS
Partners in success
Chartered Accountants

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Grampians Regional Community Enterprises Limited

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 16 September 2016

David Hutchings
Lead Auditor

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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

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Statement of Comprehensive Income

For year ending 30 June 2016

	Notes	2016 $	2015 $
Revenue from ordinary activities	4	451,245	384,888
Employee benefits expense		(228,653)	(217,336)
Charitable donations, sponsorship, advertising and promotion		(19,192)	(31,678)
Occupancy and associated costs		(35,801)	(33,638)
Systems costs		(32,005)	(35,263)
Depreciation and amortisation expense	5	(19,086)	(25,669)
Finance costs	5	(2,645)	(1,058)
General administration expenses		(64,949)	(63,488)
Profit/(loss) before income tax		**48,914**	**(23,242)**
Income tax credit	6	144,572	-
Profit/(loss) after income tax		193,486	(23,242)
Total comprehensive income for the year		**193,486**	**(23,242)**
Earnings per share for profit/(loss) attributable to the ordinary shareholders of the company:		¢	¢
Basic earnings per share	21	31.04	(3.73)

The accompanying notes form part of these financial statements

Statement of Financial Position

As at 30 June 2016

	Notes	2016 $	2015 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	90,427	96,532
Trade and other receivables	8	46,957	28,291
Total Current Assets		**137,384**	**124,823**
Non-Current Assets			
Property, plant and equipment	9	5,148	7,833
Intangible assets	10	62,470	11,090
Deferred tax asset	11	144,572	-
Total Non-Current Assets		**212,190**	**18,923**
Total Assets		**349,574**	**143,746**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	54,202	85,690
Provisions	13	16,193	15,233
Total Current Liabilities		**70,395**	**100,923**
Non-Current Liabilities			
Trade and other payables	12	40,669	-
Provisions	13	11,314	9,113
Total Non-Current Liabilities		**51,983**	**9,113**
Total Liabilities		**122,378**	**110,036**
Net Assets		**227,196**	**33,710**
Equity			
Issued capital	14	612,891	612,891
Accumulated losses	15	(385,695)	(579,181)
Total Equity		**227,196**	**33,710**

The accompanying notes form part of these financial statements

Statement of Changes in Equity

For year ending 30 June 2016

	Issued capital $	Accumulated Losses $	Total equity $
Balance at 1 July 2014	612,891	(555,939)	56,952
Total comprehensive income for the year	-	(23,242)	(23,242)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2015	612,891	(579,181)	33,710
Balance at 1 July 2015	612,891	(579,181)	33,710
Total comprehensive income for the year	-	193,486	193,486
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2016	612,891	(385,695)	227,196

The accompanying notes form part of these financial statements

Statement of Cash Flows

For year ending 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		495,731	393,851
Payments to suppliers and employees		(488,804)	(412,721)
Interest received		4,636	1,123
Interest paid		(2,645)	-
Net cash provided by/(used in) operating activities	16	8,918	(17,747)
Cash flows from investing activities			
Payments for intangible assets		(15,023)	-
Net cash provided by/(used in) investing activities		(15,023)	-
Net decrease in cash held		(6,105)	(17,747)
Cash and cash equivalents at the beginning of the financial year		96,532	114,279
Cash and cash equivalents at the end of the financial year	7(a)	90,427	96,532

The accompanying notes form part of these financial statements

Notes to the Financial Statements

For year ending 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.

	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

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 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 92 Parker Street, Dunkeld on **the 9th of February 2016**

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.

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.

Note 1. Summary of significant accounting policies *(continued)*

a) Basis of preparation *(continued)*

Economic dependency - Bendigo and Adelaide Bank Limited *(continued)*

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.

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.

Note 1. Summary of significant accounting policies *(continued)*

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.

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

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

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

Monitoring and changing financial return

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

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

Note 1. Summary of significant accounting policies *(continued)*

Monitoring and changing financial return (Continued)

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

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

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

c) Income tax

Current tax

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

Deferred tax

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

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.

Note 1. Summary of significant accounting policies *(continued)*

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Note 1. Summary of significant accounting policies *(continued)*

k) Financial instruments *(continued)*

Classification and subsequent measurement

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

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

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

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

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

Impairment

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

l) Leases

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

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

m) Provisions

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

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.

Note 1. Summary of significant accounting policies *(continued)*

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

Note 2. Financial risk management *(continued)*

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

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

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

Estimation of useful lives of assets

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

Note 3. Critical accounting estimates and judgements *(continued)*

Impairment of assets

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

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

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

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

Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

Note 4. Revenue from ordinary activities	**2016**	**2015**
	$	**$**
Operating activities:		
- services commissions	396,609	332,098
- other revenue	50,000	51,667
Total revenue from operating activities	446,609	383,765
Non-operating activities:		
- interest received	4,636	1,123
Total revenue from non-operating activities	4,636	1,123
Total revenues from ordinary activities	451,245	384,888

Note 5. Expenses

		2016	2015
		$	$
Depreciation of non-current assets:			
- plant and equipment		2,423	3,669
- leasehold improvements		262	-
Amortisation of non-current assets:			
- franchise agreement		1,893	2,000
- franchise renewal fee		4,426	-
-establishment fee		10,082	20,000
		19,086	25,669
Finance costs:			
- interest paid		2,645	1,058
Bad debts		2	35

Note 6. Income tax expense/(credit)

The components of tax expense/(credit) comprise:			
- Current tax		-	(6,973)
- Movement in deferred tax		(8,580)	6,973
- Adjustment to deferred tax to reflect change to tax rate in future periods		5,256	-
- Recoupment of prior year tax losses		25,682	-
- Deferred tax asset on prior year tax losses not previously recognised		(166,930)	-
		(144,572)	-
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense/(credit) as follows			
Operating profit/(loss)		48,914	(23,242)
Prima facie tax on profit/(loss) from ordinary activities at 28.5% (2015:30%)		13,941	(6,973)
Add tax effect of:			
- non-deductible expenses		3,161	-
- timing difference expenses		8,580	-
		25,682	(6,973)
Movement in deferred tax	11	(8,580)	-
defered tax asset not yet recognised		-	6,973
Adjustment to deferred tax to reflect change of tax rate in future periods		5,256	-
Deferred tax asset on prior year tax losses not previously recognised		(166,930)	
		(144,572)	-

Note 7. Cash and cash equivalents	2016 $	2015 $
Cash at bank and on hand	55,024	62,042
Term deposits	35,403	34,490
	90,427	96,532

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	55,024	62,042
Term deposits	35,403	34,490
	90,427	96,532

Note 8. Trade and other receivables

Trade receivables	37,222	28,291
Prepayments	9,735	-
	46,957	28,291

Note 9. Property, plant and equipment

Leasehold improvements		
At cost	1,363	1,363
Less accumulated depreciation	(1,363)	(1,101)
	-	262
Furniture and fittings		
At cost	24,209	24,209
Less accumulated depreciation	(19,061)	(16,638)
	5,148	7,571
Total written down amount	5,148	7,833

Movements in carrying amounts:

Leasehold improvements		
Carrying amount at beginning	262	535
Additions	-	-
Disposals	-	-
Less: depreciation expense	(262)	(273)
Carrying amount at end	-	262
Furniture and fittings		
Carrying amount at beginning	7,571	10,967
Additions	-	-
Disposals	-	-
Less: depreciation expense	(2,423)	(3,396)
Carrying amount at end	5,148	7,571
Total written down amount	5,148	7,833

Note 10. Intangible assets	2016 $	2015 $
Establishment Fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(89,918)
	-	10,082
Franchise fee		
At cost	21,297	10,000
Less: accumulated amortisation	(10,885)	(8,992)
	10,412	1,008
Renewal processing fee		
At cost	56,484	-
Less: accumulated amortisation	(4,426)	-
	52,058	-
Total written down amount	62,470	11,090

Note 11. Tax

Non-Current:

Deferred tax assets		
- accruals	716	-
- employee provisions	7,564	-
- tax losses carried forward	136,292	-
	144,572	-
Net deferred tax asset	144,572	-
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(170,253)	-

Note 12. Trade and other payables	2016 $	2015 $
Current:		
Trade creditors	2,972	3,006
Other creditors and accruals	51,230	82,684
	54,202	85,690
Non-Current:		
Other creditors and accruals	40,669	-
	40,669	-

Note 13. Provisions

Current:		
Provision for annual leave	16,193	15,233
Non-Current:		
Provision for long service leave	11,314	9,113

Note 14. Contributed equity	2016 $	2015 $
623,400 ordinary shares fully paid (2015: 623,400)	623,400	623,400
Less: equity raising expenses	(10,509)	(10,509)
	612,891	612,891

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 any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 329. As at the date of this report, the company had 322 shareholders.

Note 15. Contributed equity ***(continued)***

Prohibited shareholding interest *(continued)*

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.

Note 15. Accumulated losses	**2016 $**	**2015 $**
Balance at the beginning of the financial year	(579,181)	(555,939)
Net profit/(loss) from ordinary activities after income tax	193,486	(23,242)
Dividends paid or provided for	-	-
Balance at the end of the financial year	(385,695)	(579,181)

Note 16. Statement of cash flows

Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by/(used in) operating activities

Profit/(loss) from ordinary activities after income tax	193,486	(23,242)
Non cash items:		
- depreciation	2,685	3,669
- amortisation	16,401	22,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(18,665)	(28,291)
- (increase)/decrease in other assets	(144,572)	-
- increase/(decrease) in payables	(43,578)	(1,473)
- increase/(decrease) in provisions	3,161	9,590
- increase/(decrease) in current tax liabilities	-	-
Net cash flows provided by/(used in) operating activities	8,918	(17,747)

Note 17. Leases	2016 $	2015 $
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	18,888	29,474
- between 12 months and 5 years	88,000	117,895
- greater than 5 years	-	-
	106,888	147,369

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

Note 18. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:		
- audit and review services (AFS)	1,500	-
- audit and review services (Coffey Hunt)	1,600	1,100
- other non audit Services (AFS)	790	-
	3,890	1,100

Note 19. Director and related party disclosures

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

Gary John Simpson
Brendan John Kelly
Anthony John Page
Craig Gordon Oliver
Carley Renee Behncke
David Andrew McLeod
James William Schofield
Dee-Anne Gerring (*Resigned 24 February 2016*)
Glen Daroch (*Resigned 16 December 2015*)
Pamela Dawn Coates (*Resigned 31 August 2015*)

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.

Directors Shareholdings	2016	2015
Gary John Simpson	2,000	2,000
Brendan John Kelly	11,500	11,500
Anthony John Page	5,000	5,000
Craig Gordon Oliver	3,500	3,500
Carley Renee Behncke	500	500
David Andrew McLeod	10,000	10,000
James William Schofield	1,000	1,000
Dee-Anne Gerring (*Resigned 24 February 2016*)	500	500
Glen Daroch (*Resigned 16 December 2015*)	5,000	5,000
Pamela Dawn Coates (*Resigned 31 August 2015*)	2,500	2,500

There was no movement in directors shareholdings during the year.

Note 20. Key Management Personnel Disclosures

All reporting entities must disclose key management personnel compensation in total and for each of the following

- short-term employee benefits
- post-employment benefits
- other long-term benefits
- termination benefits
- share-based payment

The disclosure of compensation by category cannot be transferred to the directors report under ASIC class order 06/05.

For the purpose of AASB 124, key management personnel is persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Bendigo and Adelaide Bank Limited has advised that it believes that the branch manager does not fall inside this category.

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

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

Community Bank® Directors' Privileges Package

The board has adopted the **Community Bank®** Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank® branch** at **92 Parker Street, Dunkeld**. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the directors from the Directors' Privilege Package are $nil for the year ended 30 June 2016 (2015: $nil).

Note 21.	**Earnings per share**	**2016 $**	**2015 $**
(a)	Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	193,486	(23,242)
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	623,400	623,400

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 **the Dunkeld district of Victoria** 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	Principal Place of Business
92-94 Parker Street Dunkeld, Victoria, 3294	92-94 Parker Street Dunkeld, Victoria, 3294

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	55,024	62,042	35,403	34,490	-	-	-	-	-	-	0.99	1.04
Receivables	-	-	-	-	-	-	-	-	-	-	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	-	0.00	0.00
Payables	-	-	-	-	-	-	-	-	2,972	3,006	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:

	2016	2015
	$	$
Change in profit/(loss)		
Increase in interest rate by 1%	904	965
Decrease in interest rate by 1%	904	965
Change in equity		
Increase in interest rate by 1%	904	965
Decrease in interest rate by 1%	904	965

Directors' Declaration

In accordance with a resolution of the directors of Grampians Regional Community Enterprises Limited, we state

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

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.

Gary John Simpson, Chairman
Signed on the 16th of September 2016.

Partners in success

Chartered Accountants

Independent auditor's report to the members of Grampians Regional Community Enterprises Limited

Report on the financial report

We have audited the accompanying financial report of Grampians Regional Community Enterprises 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.

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 Grampians Regional Community Enterprises 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: 16 September 2016

David Hutchings
Lead Auditor

Dunkeld & District **Community Bank**® Branch
92-94 Parker Street, Dunkeld VIC 3294
Phone: (03) 5577 2488 Fax: (03) 5577 2332

Franchisee: Grampians Regional Community Enterprises Limited
PO Box 47, Dunkeld VIC 3294
Phone: 0417 396 986
ABN: 29 139 414 234

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