Annual Report 2015

Heathcote & District Financial Services Limited

ABN 44 112 376 986

Heathcote & District **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2015

The 10th year of operation of Heathcote & District Financial Services Limited (H&DFSL), the operators of Heathcote & District **Community Bank**® Branch, has been our most challenging since the formative days of a decade ago.

Balancing the demands of serious expansion into the Nagambie region with the need to have adequate staffing, has stretched our resources. At the same time, we introduced a new Manager and a complex new management structure for our branch while finding the time to break through the magical $100 million mark in footings which is a remarkable feat in 10 years for our locally owned company.

But nothing happens without effort and the entire Board of Directors and our staff are to be congratulated on their performance during the year.

In the financial year 2014/15 Heathcote & District **Community Bank**® Branch grew its business by $15.8 million, compared with the figure at the end of the previous financial year. This is an outstanding result.

This overall figure was the result of an increase on $9.22 million in lending and $6.5 million in deposits.

The profit, after tax was $59,675, on top of contributions to the Community Enterprise Foundation™ of $46,363 after tax.

Expenses relating to the expansion of our agency in Nagambie, combined with the need to ensure adequate staffing levels, impacted on our early budget forecasts, resulting in a slightly lower than expected profit.

The expansion project into the township of Nagambie, which saw the construction and eventual opening of a new agency building, presented as a company owned branch would appear, was a highlight of the year. The Board took the view that to ensure continued growth of the business, Heathcote & District Financial Services Limited would need to look outside the immediate area for opportunities. As a result, the Board committed funds to assist in the establishment of the revamped agency, as well as some limited staff support. The Directors are cautiously pleased with the result so far.

A further challenge to the ability of H&DFSL to maintain its previously good profit level has arisen in the form of Project Horizon, a very long process co-sponsored by Bendigo Bank and the **Community Bank**® Strategic Advisory Board, which seeks to, "Set a shared vision and strategy for the **Community Bank**® model into the future".

The project will deliver changes to the financial model under which **Community Bank**® branches currently operate. This will adversely affect a number of successful community companies which operate **Community Bank**® branches, including Heathcote & District Financial Services Limited.

The changes, which will take effect from July 2016, affect the calculation of margin share on core banking products, alter the previous arrangement for term deposits and will dramatically adjust the previous operation of the Marketing Development Fund.

Contributions from this fund are now destined to be adjusted to support collaborative marketing. Bendigo Bank assures us that arrangements will be made for those companies which are adversely affected, for a maximum of three years. All of these changes will impact on our profit. The Directors have been proactive in understanding how this will influence the business and will work with Bendigo Bank to ensure the best possible outcome for the Heathcote & District **Community Bank**® Branch.

Chairman's report (continued)

On a much brighter note, the company was very pleased to welcome Michael Prowse to the role of Branch Manager during the year. In a complex change to the management structure, Michael took over the reins of Branch Manager from the long serving Les Owens, who moved into the role of Mobile Relationship Manager, taking on responsibility for continuing the growth of our lending business, particularly in the Nagambie area. Michael has had wide experience within the Bendigo Bank system, working in a variety of roles including Assistant Manager of one of the company's busiest branches at Mitchell Street, Bendigo. He has brought with him an inspiring enthusiasm for work as well as some innovative methods which have been appreciated and adopted by the staff.

Meanwhile, Les has continued to provide outstanding results for the branch through his new role as a Mobile Relationship Manager. He has produced amazing results in the past financial year, being one of very few lenders to not only achieve but to crash through his budget forecasts.

As we have noted in past Annual Reports, the three pillars behind the establishment of Heathcote & District Financial Services Limited were to maintain effective banking services in the town, to return the profits from that enterprise to the community and to create employment in the town.

Once again the company was able to return significant amounts of money to the community through a variety of worthy projects this year, committing approximately $76,000.

A highlight of the year was the purchase of a Community Bus for the use of Heathcote Health and members of the community. The year also saw the completion of the Lions Playground ($17,000), and the continuation of a scholarship program for local university student, Cassandra Ward. Among a variety of contributions to the Nagambie district, the **Community Bank**® branch sponsored the Strathbogie Shire Business Awards Dinner.

These projects are invariably welcomed by grateful recipients.

The operation of Heathcote & District **Community Bank**® Branch would not be possible without our partners, Bendigo and Adelaide Bank. At this point, I sincerely thank our hard working Regional Manager Wayne Tobin for his patience, guidance and assistance. He is very generous with his time and his contributions to Heathcote & District **Community Bank**® Branch are significant. Our appreciation also goes to the staff of the State Support section, as well as the business bankers and financial advice staff.

On the local level, our staff Teri, Krystal, Joel and Jo have been outstanding again this year, and they are to be congratulated on their efforts.

The operation of the company, including the Board of Directors, has again been in the very capable hands of our Company Secretary Hannah Thomson whose work in marketing and administration has been outstanding.

So as the 10th year of operation comes to a close, your community owned and operated company continues to work hard to remain successful. But it needs all of our shareholders to be customers and all of our customers to be ambassadors.

Barry Cail
Chairman

Our mission statement: Heathcote & District **Community Bank**® Branch is owned by the community. We provide excellent banking services and return the profits to the community by way of grants, sponsorships, donations and dividends.

Branch Manager's report

For year ending 30 June 2015

It is a great honour for me to present my first Managers' report and I thank the Directors for giving me the opportunity to lead this **Community Bank®** branch in the thriving Heathcote district.

The Board and all of our staff including Mobile Relationship Manager Les Owens, Teri Johnson, Krystal Eickert, Joel Condon and Jo Jacobs have contributed significantly to our successful 2014/15 financial year and I thank them all for making me feel welcome over the past 11 months.

The Heathcote & District **Community Bank®** Branch had a fantastic financial year, growing the business by $9.22 million in lending and $6.50 million in deposits in the financial year. At 30 June 2015, our overall footings were standing at $106.346 million, an increase of $15.8 million on the figure at the same time last year.

This great result happened in a time when branch customers were traditionally paying off debt and with deposit interest rates so low and term deposits being less attractive than usual, this makes the result even more impressive.

We celebrated passing the $100 million mark in footings earlier in the year which is a significant milestone and one that all staff, Board members and customers should be very proud of.

Community members continue to want to deal with us. Customer number increased by 490 in the last year, an increase from 2,261 to 2,751. Products per customer results was also pleasing in that we increased from 2.028 to 2.091 last financial year. Teller transactions also remained steady, down only 261 from the 2013/14 financial year.

This is a significant and pleasing result given the increased usage of internet banking in today's society. I attribute this factor to the high level of friendly and professional service our team provides to our customers.

While the team and I have achieved many significant milestones during the past year, we are aware there are areas we can improve on, and this makes this job very exciting. The team and I are committed to ensuring we continue to provide an excellent level of banking services to the community as well as ensuring our continued growth allows the **Community Bank®** branch to continue to contribute much needed funding via grants, sponsorships and dividends back into this great community.

Among our colleagues at Bendigo and Adelaide Bank Limited Head Office, Business Banker Simon Perry and our financial planning team also contributed significantly to our overall team performance. And our agency staff Mick and Joanne Mitchell, in Nagambie, also have developed well since moving into their new 'Super Agency' premises in Nagambie. I would like to thank Mick and Jo for their hard work over the past year. Nagambie is a thriving community with many opportunities which we look forward to exploring further.

It is my aim to ensure that we work together as a cohesive unit and have clear goals and plans in place for the coming year which will lead to continued success.

My thanks also go to our Regional Manager Wayne Tobin and his support team for their assistance. This team provides excellent daily support to our **Community Bank®** branch and our success has a lot to do with their continued support.

Branch Manager's report (continued)

Finally, it's a big thank-you to our valued customers for everything they contribute to our success. Without them we wouldn't be here making such a positive impact in the community. Our customers are greatly valued and I want to thank each and every one for the support they give us.

Michael Prowse
Branch Manager

Directors' report

For the financial year ended 30 June 2015

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

Directors

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

Barry Maxwell Cail
Chairman
Occupation: Journalist/Businessman
Qualifications, experience and expertise: Long experience in the **Community Bank®** branch system, businessman with experience in small business operation, journalist with long experience in public relations and marketing.
Special responsibilities: Chairman of Heathcote & District **Community Bank®** Branch for nine years
Interest in shares: 2,001

Ian Rohde
Treasurer
Occupation: Retired
Qualifications, experience and expertise: Ian was formerly Managing Director of Warakirri Asset Management which manages investments for superannuation funds and charities. He worked for more than 25 years in the investment industry following a period of 11 years with the former State Electricity Commission of Victoria in a variety of treasury, accounting and middle management roles. Ian has previously been on Boards of the following charities: Jigsaw Foundation (associated with the Royal Children's Hospital in Melbourne), Old Colonists Association of Victoria and Advisory Council for Children with Impaired Hearing (Vic).
Special responsibilities: Treasurer
Interest in shares: Nil

Simon Osicka
Director
Occupation: Wine Maker
Qualifications, experience and expertise: Worked in a variety of management and winemaking roles in both Australia and overseas.
Special responsibilities: Marketing
Interest in shares: 1,000

Gregory Ian Speirs
Director
Occupation: Retired
Qualifications, experience and expertise: Local Government, Lions Club Member (Current President, Treasurer, Secretary), Bowls Club Member (Past President and Secretary), Licensed Surveyor, Town Planner and Justice of Peace.
Special responsibilities: Sponsorship/ Marketing
Interest in shares: 5,000

Directors (continued)

Rachel Alice Paterson
Director
Occupation: Director/Principal Paterson PR
Qualifications, experience and expertise: Public relations, events, marketing, communications, community engagement and community development. Rachel has also been involved in regional retail and tourism development, event management and professional writing.
Special responsibilities: Nil
Interest in shares: Nil

Megan Louise Anderson
Director (Appointed 7 August 2014)
Occupation: Bookkeeper/Administration
Qualifications, experience and expertise: Completed Bachelor of Business/Bachelor of Computing (Double Degree) at LaTrobe University Bendigo. Employment history include: 7 years veterinary Nursing at two Bendigo Veterinary Clinics, 5 years at Lead on Australia in Administration, Finance, Funding and Project Consulting roles. Currently Bookkeeper for Wild Duck Creek Estate Winery. 2008 Employee of the Year - Bendigo Business Excellence Awards. Community involvement includes: 4 years volunteer work with RSPCA Bendigo, currently a member of the Reference Group for 'Our Shed' Community Resource Centre, Eaglehawk. Formerly a Board Member for Lead on Bendigo Inc.
Special responsibilities: Nil
Interest in shares: Nil

Stephen Roger Trompp
Director (Appointed 18 May 2015)
Occupation: Retired
Qualifications, experience and expertise: 30 years experience in the financial services industry. Including senior management positions in investment banking and publicly listed organisations. A local resident in Heathcote for over six years and involved in Heathcote Tourism and Development and Advance Heathcote.
Special responsibilities: Nil
Interest in shares: Nil

Velvet Emma-Louise Kay
Director (Resigned 10 February 2015)
Occupation: Mapper
Qualifications, experience and expertise: Bachelor of Science (Geography/Environmental), Journalist, former Secretary of Heathcote Tennis Club.
Special responsibilities: Nil
Interest in shares: Nil

David John Smith
Director (Resigned 19 January 2015)
Occupation: Managing Director "Risk Matters"
Qualifications, experience and expertise: with experience in governance, risk management, business continuity and emergency management, B.A. (Hon), La Trobe, Dip Th, Sydney, Dip Compensation Management, ACM, Certificate 3 in Australian Business Enterprise Frameworks (ABEF), 2003, MBTI Accreditation Course, ACER, 1996 and Youth Training Leadership Training, Cumberland, 1974 Memberships: Risk Management Institute of Australasia (RMIA), Member NZ Society for Risk Management (NZRM), Professional Risk Managers International Association (PRIMA), International Association of Emergency Managers (IAEM), Global Association pf Risk Professionals (GARP), International Society for Risk Analysis (SRA), Business Continuity Institute (BCI).
Special responsibilities: Nil
Interest in shares: Nil

Directors (continued)

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

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

Company Secretary

The company secretary is Hannah Thomson. Hannah was appointed to the position of secretary in October 2012. Hannah has extensive experience in areas of managing accounts and customer service.

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.

The company assisted with the fit out of the new premises for the Nagambie Agency which opened in December 2014.

Operating results

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

Year ended 30 June 2015 $	Year ended 30 June 2014 $
59,675	29,922

Remuneration report

Transactions with directors

	$
Barry Cail, in the capacity of part-owner of Bendigo Copy Centre, supplied printing services to the value of	720

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Barry Maxwell Cail	2,001	-	2,001
Simon Osicka	1,000	-	1,000
Gregory Ian Speirs	5,000	-	5,000
Rachel Alice Paterson	-	-	-
Ian Rohde	-	-	-
Megan Louise Anderson (Appointed 7 August 2014)	-	-	-
Stephen Roger Trompp (Appointed 18 May 2015)	-	-	-

Remuneration report (continued)

Directors' shareholdings (continued)

	Balance at start of the year	Changes during the year	Balance at end of the year
Velvet Emma-Louise Kay (Resigned 10 February 2015)	-	-	-
David John Smith (Resigned 19 January 2015)	-	-	-

Dividends

	Year ended 30 June 2015	
	Cents	$
Dividends paid in the year	7.5	44,618

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended	
	Eligible	Attended
Barry Maxwell Cail	13	13
Simon Osicka	13	13
Gregory Ian Speirs	13	11
Rachel Alice Paterson	13	9
Ian Rohde	13	12
Megan Louise Anderson (Appointed 7 August 2014)	12	11
Stephen Roger Trompp (Appointed 18 May 2015)	1	1
Velvet Emma-Louise Kay (Resigned 10 February 2015)	8	4
David John Smith (Resigned 19 January 2015)	7	2

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.

Directors’ report (continued)

Auditor’s independence declaration

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

Signed in accordance with a resolution of the board of directors at Heathcote, Victoria on 4 September 2015.

Barry Maxwell Cail,
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 Heathcote & District Financial Services Limited

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

David Hutchings
Lead Auditor

Dated: 4 September 2015

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Financial statements

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

	Notes	2015 $	2014 $
Revenue from ordinary activities	4	921,169	877,927
Employee benefits expense		(435,772)	(400,509)
Charitable donations, sponsorship, advertising and promotion		(138,523)	(209,482)
Occupancy and associated costs		(49,883)	(49,053)
Systems costs		(23,834)	(20,441)
Depreciation and amortisation expense	5	(26,669)	(24,917)
Finance costs	5	(379)	(5)
General administration expenses		(160,785)	(130,774)
Profit before income tax expense		**85,324**	**42,746**
Income tax expense	6	(25,649)	(12,824)
Profit after income tax expense		**59,675**	**29,922**
Total comprehensive income for the year		**59,675**	**29,922**
Earnings per share for profit attributable to the ordinary shareholders of the company:		¢	¢
Basic earnings per share	20	10.03	5.03

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2015

	Notes	2015 $	2014 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	388,314	327,271
Trade and other receivables	8	39,741	49,850
Current tax asset	11	-	12,492
Total Current Assets		**428,055**	**389,613**
Non-Current Assets			
Property, plant and equipment	9	69,399	63,655
Intangible assets	10	76,458	22,352
Deferred tax asset	11	983	-
Total Non-Current Assets		**146,840**	**86,007**
Total Assets		**574,895**	**475,620**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	85,982	4,258
Current tax liabilities	11	4,411	-
Total Current Liabilities		**90,393**	**4,258**
Non-Current Liabilities			
Deferred tax liabilities	11	-	1,917
Total Non-Current Liabilities		**-**	**1,917**
Total Liabilities		**90,393**	**6,175**
Net Assets		**484,502**	**469,445**
Equity			
Issued capital	13	558,357	558,357
Accumulated losses	14	(73,855)	(88,912)
Total Equity		**484,502**	**469,445**

The accompanying notes form part of these financial statements.

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

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2013	**558,357**	**(59,343)**	**499,014**
Total comprehensive income for the year	**-**	**29,922**	**29,922**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(59,491)	(59,491)
Balance at 30 June 2014	**558,357**	**(88,912)**	**469,445**
Balance at 1 July 2014	**558,357**	**(88,912)**	**469,445**
Total comprehensive income for the year	**-**	**59,675**	**59,675**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(44,618)	(44,618)
Balance at 30 June 2015	**558,357**	**(73,855)**	**484,502**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2015

	Notes	2015 $	2014 $
Cash flows from operating activities			
Receipts from customers		1,007,444	955,237
Payments to suppliers and employees		(882,414)	(899,480)
Interest received		11,119	12,418
Interest paid		(379)	-
Income taxes paid		(11,646)	(23,621)
Net cash provided by operating activities	**15**	**124,124**	**44,554**
Cash flows from investing activities			
Payments for property, plant and equipment		(18,463)	(18,935)
Net cash provided by/(used in) investing activities		**(18,463)**	**(18,935)**
Cash flows from financing activities			
Dividends paid		(44,618)	(59,491)
Net cash provided by/(used in) financing activities		**(44,618)**	**(59,491)**
Net increase/(decrease) in cash held		**61,043**	**(33,872)**
Cash and cash equivalents at the beginning of the financial year		327,271	361,143
Cash and cash equivalents at the end of the financial year	**7(a)**	**388,314**	**327,271**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2015

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

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

Economic dependency - Bendigo and Adelaide Bank Limited

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

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.

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.

Note 1. Summary of significant accounting policies (continued)

b) Revenue

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

Revenue calculation

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

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

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Margin (continued)

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

Commission

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

Fee income

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

Ability to change financial return

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

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

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

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

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

Monitoring and changing financial return

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

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

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Monitoring and changing financial return (continued)

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Note 1. Summary of significant accounting policies (continued)

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

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

h) Intangibles

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

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

Note 1. Summary of significant accounting policies (continued)

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Impairment

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

l) Leases

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

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

m) Provisions

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

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

Note 2. Financial risk management (continued)

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Note 3. Critical accounting estimates and judgements (continued)

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

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.

	2015 $	2014 $

Note 4. Revenue from ordinary activities

	2015 $	2014 $
Operating activities:		
- services commissions	910,356	863,885
- other revenue	-	1,624
Total revenue from operating activities	**910,356**	**865,509**
Non-operating activities:		
- interest received	10,813	12,418
Total revenue from non-operating activities	**10,813**	**12,418**
Total revenues from ordinary activities	**921,169**	**877,927**

	2015 $	2014 $

Note 5. Expenses

	2015 $	2014 $
Depreciation of non-current assets:		
- plant and equipment	5,811	5,893
- leasehold improvements	6,908	5,074
Amortisation of non-current assets:		
- franchise agreement	2,325	2,325
- franchise renewal fee	11,625	11,625
	26,669	**24,917**
Finance costs:		
- interest paid	**379**	**5**
Bad debts	**1,684**	**738**
Loss on disposal of fixed asset	**-**	**3,994**

Note 6. Income tax expense

	2015 $	2014 $
The components of tax expense comprise:		
- Current tax	28,549	11,416
- Future income tax benefit attributable to losses	-	1,408
- Movement in deferred tax	(2,952)	-
- Adjustment to deferred tax to reflect change to tax rate in future periods	52	-
	25,649	**12,824**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	85,324	42,746
Prima facie tax on profit from ordinary activities at 30%	25,597	12,824
Add tax effect of:		
- timing difference expenses	2,952	(1,408)
	28,549	**11,416**
Movement in deferred tax	(2,952)	1,408
Adjustment to deferred tax to reflect change of tax rate in future periods	52	-
	25,649	**12,824**

	2015 $	2014 $

Note 7. Cash and cash equivalents

	2015 $	2014 $
Cash at bank and on hand	90,770	29,727
Term deposits	297,544	297,544
	388,314	**327,271**

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:

	2015 $	2014 $
Cash at bank and on hand	90,770	29,727
Term deposits	297,544	297,544
	388,314	**327,271**

Note 8. Trade and other receivables

	2015 $	2014 $
Trade receivables	27,703	33,784
Prepayments	5,238	6,085
Other receivables and accruals	6,800	9,981
	39,741	**49,850**

Note 9. Property, plant and equipment

	2015 $	2014 $
Leasehold improvements		
At cost	93,016	74,553
Less accumulated depreciation	(55,092)	(48,184)
	37,924	**26,369**
Plant and equipment		
At cost	45,463	45,463
Less accumulated depreciation	(36,507)	(34,389)
	8,956	**11,074**
Motor vehicles		
At cost	29,540	29,540
Less accumulated depreciation	(7,021)	(3,328)
	22,519	**26,212**
Total written down amount	**69,399**	**63,655**

	2015 $	2014 $

Note 9. Property, plant and equipment (continued)

Movements in carrying amounts:

Leasehold improvements		
Carrying amount at beginning	26,369	31,443
Additions	18,463	-
Disposals	-	-
Less: depreciation expense	(6,908)	(5,074)
Carrying amount at end	**37,924**	**26,369**
Plant and equipment		
Carrying amount at beginning	11,074	12,773
Additions	-	895
Disposals	-	(334)
Less: depreciation expense	(2,118)	(2,260)
Carrying amount at end	**8,956**	**11,074**
Motor vehicles		
Carrying amount at beginning	26,212	15,466
Additions	-	18,040
Disposals	-	(3,660)
Less: depreciation expense	(3,693)	(3,634)
Carrying amount at end	**22,519**	**26,212**
Total written down amount	**69,399**	**63,655**

Note 10. Intangible assets

Franchise fee		
At cost	82,968	71,625
Less: accumulated amortisation	(71,625)	(69,300)
	11,343	**2,325**
Renewal processing fee		
At cost	114,839	58,126
Less: accumulated amortisation	(58,126)	(46,501)
	56,713	**11,625**

	2015 $	2014 $
Note 10. Intangible assets (continued)		
Goodwill on purchase of agency		
At cost	8,402	8,402
Less: accumulated impairment losses	-	-
	8,402	**8,402**
Total written down amount	**76,458**	**22,352**

Note 11. Tax

Current:		
Income tax payable/(refundable)	**4,411**	**(12,492)**
Non-Current:		
Deferred tax assets		
- accruals	983	-
	983	**-**
Deferred tax liability		
- accruals	-	92
- deductible prepayments	-	1,825
	-	**1,917**
Net deferred tax asset/(liability)	**983**	**(1,917)**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**(2,900)**	**(1,409)**

Note 12. Trade and other payables

Current:		
Trade creditors	7,628	113
Other creditors and accruals	78,354	4,145
	85,982	**4,258**

Note 13. Contributed equity

594,910 ordinary shares fully paid (2014: 594,910)	594,910	594,910
Less: equity raising expenses	(36,553)	(36,553)
	558,357	**558,357**

Notes to the financial statements (continued)

Note 13. Contributed equity (continued)

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

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

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

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

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

Note 13. Contributed equity (continued)

Prohibited shareholding interest (continued)

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

	2015 $	2014 $
Note 14. Accumulated losses		
Balance at the beginning of the financial year	(88,912)	(59,343)
Net profit from ordinary activities after income tax	59,675	29,922
Dividends paid or provided for	(44,618)	(59,491)
Balance at the end of the financial year	**(73,855)**	**(88,912)**
Note 15. 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	59,675	29,922
Non cash items:		
- depreciation	12,719	10,967
- amortisation	13,950	13,950
- loss on disposal of asset	-	3,994
Changes in assets and liabilities:		
- (increase)/decrease in receivables	10,109	2,628
- (increase)/decrease in other assets	11,509	(12,492)
- increase/(decrease) in payables	13,668	(2,115)
- increase/(decrease) in current tax liabilities	2,494	(2,300)
Net cash flows provided by operating activities	**124,124**	**44,554**

Notes to the financial statements (continued)

	2015 $	2014 $

Note 16. 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	31,492	24,012
- between 12 months and 5 years	124,841	24,012
- greater than 5 years	-	-
	156,333	**48,024**

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The extension option has been taken up in early July 2015 for a further 5 years. There has been an additional 5 year lease for the Nagambie agency which commenced in April 2015.

Note 17. Auditor's remuneration

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

- audit and review services	5,050	4,950
- share registry services	3,561	2,568
- non audit services	2,467	3,549
	11,078	**11,067**

Note 18. Director and related party disclosures

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

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

	2015 $	2014 $
Transactions with Key Management Personnel		
The company entered into an agreement with Mitbro Trust to lease the property at 2/119 High Street Heathcote for a five year period terminating on 25 August 2010, the second option was taken up. Former director Joseph Zurek is a trustee of the Mitbro Trust. The contract was approved by the Board with Mr Zurek declaring a pecuniary interest and excluding himself from the board discussions and approval processes undertaken by the Board. No payments are listed this year due to Mr Zurek resigning as a director last year.	-	24,250
Barry Cail, in the capacity of part-owner of Bendigo Copy Centre, supplied printing services to the value of	720	800

	2015 $	2014 $

Note 18. Director and related party disclosures (continued)

Transactions with Key Management Personnel (continued)

Hannah Thompson received remuneration for administration and bookkeeping services provided throughout the period under review	-	7,000

Key Management Personnel Shareholdings

	2015	2014
Ordinary shares fully paid	8,001	18,202

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

	2015 $	2014 $

Note 19. Dividends paid or provided

	2015 $	2014 $
a. Dividends paid during the year		
Current year dividend		
100% (2014: 100%) franked dividend - 7.5 cents (2014: 10 cents) per share	**44,618**	**59,491**
The tax rate at which dividends have been franked is 30% (2014: 30%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	37,722	33,585
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	4,412	(12,492)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	**42,134**	**21,093**
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	**42,134**	**21,093**

Notes to the financial statements (continued)

Note 20. Earnings per share

		2015 $	2014 $
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	59,675	29,922
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	594,910	594,910

Note 21. Events occurring after the reporting date

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

Note 22. Contingent liabilities and contingent assets

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

Note 23. Segment reporting

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

Note 24. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
Shop 2, 119 High Street Heathcote VIC 3523	Shop 2, 119 High Street Heathcote VIC 3523

Note 25. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 %	2014 %
Financial assets												
Cash and cash equivalents	90,520	27,828	297,544	297,544	-	-	-	-	250	1,899	2.63	2.92
Receivables	-	-	-	-	-	-	-	-	27,703	33,784	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	7,628	113	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.

Note 25. Financial instruments (continued)

Sensitivity Analysis (continued)

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

	2015 $	2014 $
Change in profit/(loss)		
Increase in interest rate by 1%	3,881	3,254
Decrease in interest rate by 1%	3,881	3,254
Change in equity		
Increase in interest rate by 1%	3,881	3,254
Decrease in interest rate by 1%	3,881	3,254

Directors' declaration

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

In the opinion of the directors:

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

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

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

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

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

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

Barry Maxwell Cail,
Chairman

Signed on the 4th of September 2015.

Partners in success

Chartered Accountants

Independent auditor's report to the members of Heathcote & District Financial Services Limited

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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Independence

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

Auditor's opinion on the financial report

In our opinion:

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

Report on the remuneration report

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

Auditor's opinion on the remuneration report

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

David Hutchings
Lead Auditor

Dated: 4 September 2015

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