Annual Report 2015

Inner West
Community Enterprises Limited

ABN 93 124 893 705

Seddon **Community Bank®** Branch

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Chairman's report

For year ending 30 June 2015

The best part about writing the Chairman's Annual Report is the consequent reflection on our company's achievements during the 2014/15 financial year. I recognise anew that serving as Chairman of Inner West Community Enterprises Limited (IWCEL) is a genuine privilege.

This report provides a welcome opportunity to bring to our shareholders a summary of the company's recent achievements and developments, as well as sharing some of the Board's thoughts about our future.

Midyear forecasts of another record profit led us to consider making provision for a major, longer-term community project. To this end, and in a first for IWCEL, we placed $75,000 with the Bendigo Adelaide Bank Community Enterprise Foundation™. IWCEL now benefits from the same opportunities as other successful **Community Bank®** companies who, in addition to their usual annual community contributions, intend to accumulate funds over several years for a genuinely substantial community project. Just one example of the possibilities from one of our peer **Community Bank®** companies is the construction of a major community centre and sporting facility. Although Board members have some bold ideas, at this stage nobody knows what our major project will be! We do know and believe that after a few years of accumulating funds, we will have the means to bring to our community a substantial project. If you have big ideas for your community, please share them with us.

As the placement of funds in the Community Enterprise Foundation™ is a new departure for us, some clarification may be useful. In the audited Financial Statements, the Statement of Comprehensive Income includes the placement of $75,000 in the Community Enterprise Foundation™ under the item 'Charitable Donations, Sponsorships'.

With this background, it gives me great pleasure to draw your attention to a pre-tax profit of $51,248. This figure reflects the placement of $75,000 with the Foundation. When compared with a pre-tax profit of $106,647, in the 2013/14 financial year, the above figures combine to confirm another excellent result. Within the context of Australia's prevailing lack-lustre economic environment, this result is a truly outstanding one.

Our superb overall results also included the distribution of an 8 cent dividend to our shareholders. Once again, we confirmed a better dividend than any of the so-called "big banks"! Moreover, our total community contributions in the 2014/15 financial year approached $90,000. By any definition, IWCEL has enjoyed another very good year.

Revenue increased on the previous financial year by 13.5% to $939,218. Data in the Statement of Comprehensive Income confirms a disciplined approach to expenses. Apart from employment costs reflecting additional staffing, other expenses were slightly down on the previous year in all major comprehensive categories.

We can never forget our shareholders: without their leap of faith, IWCEL would not exist. Less than a decade ago, inspired by John Westbury, 250+ people supported the establishment of a new **Community Bank®** company, and a new bank branch in Seddon. We trust our shareholders are pleased that community contributions to our local schools, clubs and sporting organisations have increased from $80,000, in the previous financial year, to almost $90,000. Total funds given back to your community since the branch opened have now exceeded $300,000! This must be a great source of pride for our shareholders: by investing in us, you have most certainly invested in your community.

The mention of John Westbury, our founding Chairman, brings some sad news: after years of sterling service for IWCEL, John decided in June to resign from his Directorship. We can never thank John adequately, but will find a meaningful way to recognise his achievements.

Our Company Treasurer, Garry Hastings, also tendered his resignation after two years of diligent service.

Chairman’s report (continued)

We welcomed Michael Bodman to the Board, and soon after we were pleased (and relieved!) when Jack Fitcher joined us, stepping up to the position of Company Treasurer on Garry Hastings’ departure.

Although Grant Ritchie stood down as Company Secretary, he continues to share his expertise as a valued member of the Board. David St John kindly agreed to accept the Company Secretary’s duties.

Employing an external facilitator from within the broader **Community Bank**® network, the Board underwent its now annual review to ensure that we are still operating as effectively as possible. Committed to the future, after several intensive workshops, the Board developed a new Strategic Plan. It has also adopted a more structured and proactive approach to Risk Management.

Board members formalised the operations of three Board Committees to ensure a better distribution of Board obligations; provide greater opportunities for people to share their expertise; and to encourage the fundamentals of reliable succession planning:

- Community Engagement Committee (Chaired by Andy Moutray-Read)
- Finance, Audit, Risk & Governance Committee (Chaired by Jack Fitcher)
- People & Performance Committee (Chaired by Jenny Vizec).

We have also recruited several committed, community-oriented, professional locals to join these committees and attend Board meetings as observers. They bring their considerable enthusiasm and expertise, and share the workload. Moreover, each has the potential to step up to join the Board as Directors, when vacancies arise. Unlike Directors, these vital contributors are not mentioned elsewhere in the 2014/15 Annual Report. With our genuine thanks and appreciation, I record their names here: Megan Darling, Sarah Franklyn and Dave Brennan.

In October 2014, IWCEL appointed a professional Executive Officer, on a part time basis, to assume responsibility for an increasing multitude of high-level administrative and statutory requirements. Kate Shedden has been a welcome addition, and has effortlessly taken over myriad time-consuming tasks that previously burdened (and possibly discouraged) our volunteer Directors. We are all grateful to Kate.

It is my privilege to serve as Chairman for the extraordinarily successful organisation that is Inner West Community Enterprises Limited. Our progress depends on Board members, and I thank each and every one of them for their voluntary time and dedication. The Seddon **Community Bank**® Branch is, yet again, one of the best-performing branches in the region. For this brilliant result (the figures speak for themselves!), I record my gratitude and appreciation to Graham Evans and his team at the branch. These friendly professionals are the human face of our business, and they are directly responsible for much of our success because of the first-class service they provide to our customers. Thank you.

J.J. (Wal) Wiersma
Chairman

Manager's report

For year ending 30 June 2015

The 2014/15 financial year was a challenging but rewarding year for the Seddon **Community Bank**® Branch. After a very successful 2013/14 financial year our focus was to not only consolidate the growth we had achieved but also to keep the growth momentum going.

Customer numbers grew by an impressive 23.7% and we managed to increase our average products per client. Our transactional / fee income increased by 19.6%. This reflects that we are opening accounts for new and existing clients and the customers are actively using them. This is a great indication that the local population have confidence in our products and service levels. Updates to products and especially the improved internet banking offering have been very well received.

Our loan settlements ran at 85% of the previous year which was a very pleasing number however the loan book only grew at 10%. This was largely due to the record low interest rates which allowed customers to maintain home loan repayments and in turn make additional capital repayments. This should be celebrated as it means our customers are building their wealth base quicker than expected. It also means we have to work harder simply to replace the loan "run off" before we continue to grow the loan book.

Our deposit book grew at 12.8% which was greater than our budget and was achieved largely through our growth in customer numbers and increased use of our product range by existing clients.

A highlight of working for a **Community Bank**® branch is participating in the Board's grant and sponsorship program. The Board again allocated a budget of $90,000 to assist in growing the Inner West. A clear highlight of the year was our very successful Community Pitch evening where local not for profit groups were given a voice to "pitch" for support in front of a large crowd held at the Yarraville Club. The Community Pitch combined support from local businesses, the community and clubs and associations within our community for a fantastic outcome whereby the clubs and associations gained funding, networked and their voice was heard.

In my report last year I spoke about the positive feedback "loop" where our grants and sponsorship recipients actively bring business back to the Seddon **Community Bank**® Branch to enable the continuation of this program. I am glad to say that this message continues to be heard in the community and we are being well supported by the residents, clubs, associations and businesses of the Inner West.

The staff wish to thank the state support team of the Bendigo Bank, the Board and our great customers for their ongoing support.

Graham Evans
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:

Jan Jelte Wiersma
Chairman
Occupation: Consultant
Qualifications, experience and expertise: Consultant in residential tertiary education. Former General Manager at Melbourne and Mt Eliza Business Schools. Past Dean at Trinity College, University of Melbourne and St Mark's College, University of Adelaide. Involved in Cross-Safe and Yarraville and Preserve Yarraville Village.
Special responsibilities: Chairman
Interest in shares: 1,000

Andrew Paul Moutray-Read
Director
Occupation: Self Employed
Qualifications, experience and expertise: Member of the original Steering Committee for the **Community Bank®** branch and ex-Chairman. Experience in finance and accounting, sales and business management. Andrew currently owns and operates Yarraville Short Stays and also sits on FWPS School Council.
Special responsibilities: Chair of Community Engagement Committee
Interests in shares: 8,926

James Lewin Macdougall
Director
Occupation: Paper Merchant
Qualifications, experience and expertise: James gained a Bachelor of Applied Science from RMIT and worked as an industrial chemist for several years. A self-confessed paper nut, he has worked in paper and printing all his working life. James has had a long involvement in local truck issues community groups and is especially interested in the impact of diesel pollution on human health. He currently runs two local businesses: Magnani Papers in Footscray which is a specialty importer and distributor of fine artists' papers from Italy, and a short stay accommodation property in Yarraville.
Special responsibilities: Nil
Interest in shares: 7,001

John Richard Westbury
Director (resigned 5 June 2015)
Occupation: Retired
Qualifications, experience and expertise: Associate Diploma Business Management, experienced in all aspects of small business. Founding Chair, Seddon Steering committee and Inner West CEL.
Special responsibilities: Nil
Interests in shares: 52,501

Directors (continued)

Grant Kelson Ritchie
Director
Occupation: Technical Manager
Qualifications, experience and expertise: Holds a tertiary qualification in Engineering and has 35 years' experience across a range of Manufacturing industries. Grant has held a range of Senior Engineering Management roles over the past 25 years, including Capital Expenditure, project management, maintenance and technical areas. Grant has recently been an active mentor in the Big Brothers, Big Sisters program. He is also active in the community toward preserving neighbourhood character and objecting to inappropriate housing development.
Special responsibilities: Secretary to the Board (resigned 25 May 2015)
Interest in shares: 11,025

David St John
Director (Appointed Secretary 25 May 2015)
Occupation: Logistics Analyst.
Qualifications, experience and expertise: David was employed for over 30 years in the shipbuilding industry at Williamstown in roles such as payroll, systems development, statistical analysis, technical writing, documentation control and managing design change. David is currently a Logistics Support analyst. He has been a participant in the Maribyrnong Bike Plan Review Project Reference Group. David is currently part of a team trying to establish the Footscray Makers Lab, a co-operative for maker/designer/artist/producer citizens in Footscray and surrounding areas.
Special responsibilities: Company Secretary
Interest in shares: 2,100

Garry James Hastings
Director (Resigned 30 June 2015)
Occupation: Senior Project Manager (IT)
Qualifications, experience and expertise: BA (HONS) History and Economics - Upper Second Class, Certified Prince 2 Project Management Practitioner and Business Institute - Member. Garry has been a project management professional with one-tier enterprise experience in IT integration and business operations, particularly with corporations in the insurance, retail, media and financial services for over eighteen years. As a fair-minded specialist management professional, with a proven and reliable track record in leading complex change initiatives, Garry is capable of managing organisations through organisational refresh, with varied scope and complexity. Garry has a strong record in delivering business benefits and organisational efficiencies with demonstrable success in a range of projects from strategic programme transformations, divisional corporate synergies, developing IT cost-centre outsourcing services and leading corporate initiatives. As a highly motivated certified Prince 2 Project Management Practitioner, Garry is dedicated to delivering successful business outcomes by delivering beyond expectations, through the applied cultivation of the project management leadership discipline.
Special responsibilities: Company Treasurer
Interest in shares: Nil

Directors (continued)

Jennifer Anne Vizec
Director (Appointed 29 July 2014)
Occupation: Manager, Victorian State Public Service
Qualifications, experience and expertise: Along with many years working in the West, Jenny brings experience from across the private, State and Public sectors. Jenny has a Masters of Business Administration and is a graduate of the Australian Institute of Company Directors. She has a strong understanding of a range of community sector areas, including sport and recreation, community infrastructure, disability services, recruitment and labour market programs. Jenny currently works with the Department of Health and Human Services and lives in Williamstown.
Special responsibilities: Chair of People & Performance Committee
Interest in shares: Nil

Michael Francis Bodman
Director (Appointed 2 February 2015)
Occupation: Company Director.
Qualifications, experience and expertise: Michael joined the Board in 2015 with a specific focus on generating new opportunities for community investment, using his experience and local networks to connect with the local community. Michael's work history includes extensive consulting experience within the Australian sport, recreation, community and government sectors. He has a particular passion for growing and enhancing community level activities and organisations and is now channelling this experience towards assisting local clubs and organisations to achieve their goals.
Special responsibilities: Nil
Interest in shares: Nil

Jonathon Victor Fitcher
Director (Appointed 25 May 2015)
Occupation: Chief Financial Officer
Qualifications, experience and expertise: Jack is a qualified Certified Practising Accountant and a graduate member of the Australian Institute of Company Directors. He has over 20 years' experience working in Finance roles across various industries. He is currently the Chief Financial Officer and a member of the Executive team for the Australian Energy Market Operator (AEMO) which is a national company with over 500 employees that operate the gas and electricity markets.
Special responsibilities: Nil
Interest in shares: Nil

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

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

Company Secretary

The Company Secretary was Grant Ritchie. Grant was appointed to the position of Secretary on 1 July 2013 and resigned as Company Secretary on 25 May 2015.

Grant holds a tertiary qualification in Engineering and has 35 years' experience across a range of Manufacturing industries. Grant has held a range of Senior Engineering Management roles over the past 25 years.

The Company Secretary is David St John. David was appointed to the position of Secretary on 25 May 2015.

David has held a range of positions in administrative and technical roles in the shipbuilding industry.

Principal activities

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

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

Operating results

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

Year ended 30 June 2015 $	Year ended 30 June 2014 $
27,159	73,354

Remuneration report

Directors' remuneration

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.

Transactions with Directors

There were no transactions with Directors during the period under review.

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Jan Jelte Wiersma	1,000	-	1,000
Andrew Paul Moutray-Read	8,926	-	8,926
James Lewin Macdougall	7,001	-	7,001
John Richard Westbury (Resigned 5 June 2015)	52,501	-	52,501
Grant Kelson Ritchie	11,025	-	11,025
David St John	2,100	-	2,100
Garry James Hastings (Resigned 30 June 2015)	-	-	-
Jennifer Anne Vizec	-	-	-
Michael Francis Bodman (Appointed 2 February 2015)	-	-	
Jonathon Victor Fitcher (Appointed 25 May 2015)	-	-	-

Dividends

	Year ended 30 June 2015		Year ended 30 June 2014	
	Cents	$	Cents	$
Final dividends recommended	8	53,416	8	53,416

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

	Board meetings attended	
	Eligible	Attended
Jan Jelte Wiersma	11	11
Andrew Paul Moutray-Read	11	8
James Lewin Macdougall	11	7
John Richard Westbury (Resigned 5 June 2015)	10	6
Grant Kelson Ritchie	11	7
David St John	11	10
Garry James Hastings (Resigned 30 June 2015)	11	8
Jennifer Anne Vizec	11	9
Michael Francis Bodman (Appointed 2 February 2015)	6	4
Jonathon Victor Fitcher (Appointed 25 May 2015)	2	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 (Frederik Eksteen of Collins & Co) for audit and non audit services provided during the year are set out in the notes to the accounts.

The Board of Directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001.

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

All non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the Auditor

None of the services undermine the general principles relating to Auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the Auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditor's independence declaration

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

Signed in accordance with a resolution of the Board of Directors at Seddon, Victoria on 28 September 2015.

Jan Jette Wiersman
Chairman

Auditor's independence declaration

Collins & Co
CERTIFIED PRACTISING ACCOUNTANTS

TOWARDS A VISION SHARED

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LEAD AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
INNER WEST COMMUNITY ENTERPRISES LIMITED
A.B.N. 93 124 893 705

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 30 June 2015 there have been no contraventions of:

(i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Frederik Ryk Ludolf Eksteen CA
ASIC Auditor Registration Number 421448

Collins & Co
127 Paisley Street
FOOTSCRAY VIC 3011

Dated this 29th day of September 2015.

Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

Statement of Comprehensive Income for the year ended 30 June 2015

	Note	2015 $	2014 $
Revenues from ordinary activities	4	939,218	828,058
Employee benefits expenses		(465,502)	(373,030)
Charitable donations, sponsorship, advertising and promotion		(176,153)	(87,308)
Occupancy and associated costs		(76,362)	(81,468)
Systems costs		(52,741)	(52,936)
Depreciation and amortisation expense	5	(23,550)	(27,436)
Finance costs	5	(619)	(1,520)
General administration expenses		(93,043)	(97,713)
Profit before income tax expense		**51,248**	**106,647**
Income tax expense	6	(24,089)	(33,293)
Profit after income tax expense		**27,159**	**73,354**
Total comprehensive income for the year attributable to members		**27,159**	**73,354**

Earnings per share (cents per share)		**c**	**c**
Basic for profit for the period:	21	4.07	10.99

The Statement of Comprehensive Income is to be read in conjunction with the independent review report and the notes to the financial statements.

Statement of Financial Position
as at 30 June 2015

	Note	2015 $	2014 $
Assets			
Current assets			
Cash and cash equivalents	7	256,737	223,397
Trade and other receivables	8	89,870	84,737
Total current assets		**346,607**	**308,134**
Non current assets			
Property, plant & equipment	9	120,829	127,532
Intangible assets	10	40,374	54,221
Deferred tax asset	11	15,924	40,013
Total non-current assets		**177,127**	**221,766**
Total assets		**523,734**	**529,900**
Liabilities			
Current liabilities			
Trade and other payables	12	56,423	36,952
Tax liability		-	-
Borrowings	13	-	6,402
Provisions	14	22,769	20,278
Total current liabilities		**79,192**	**63,632**
Non-current liabilities			
Borrowings	13	-	-
Provisions	14	28,242	23,711
Total non-current liabilities		**28,242**	**23,711**
Total liabilities		**107,434**	**87,343**
Net assets		**416,300**	**442,557**
Equity			
Issued share capital		607,707	607,707
Accumulated members funds/ (losses)		(191,407)	(165,150)
Total equity		**416,300**	**442,557**

The balance sheet is to be read in conjunction with the independent review report and the notes to the 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	**596,885**	**(185,088)**	**411,797**
Total comprehensive income for the year	-	73,354	73,354
	596,885	**(111,734)**	**485,151**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Equity costs written back	10,822	-	10,822
Dividends provided for or paid	-	(53,416)	(53,416)
Balance at 30 June 2014	**607,707**	**(165,150)**	**442,557**
Balance as at 1 July 2014	**607,707**	**(165,150)**	**442,557**
Total comprehensive income for the year	-	27,159	27,159
	607,707	**(137,991)**	**469,716**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(53,416)	(53,416)
Balance as at 30 June 2015	**607,707**	**(191,407)**	**416,300**

The statement of changes in equity is to be read in conjunction with the independent review report and the notes to the financial statements.

Statement of Cash Flows
for the year ended 30 June 2015

	2015 $	2014 $
Cash flows from operating activities		
Receipts from customers	929,034	802,908
Payments to suppliers and employees	(837,308)	(724,787)
Interest received	5,051	3,279
Interest paid	(619)	(1,520)
Income tax paid	-	-
Net cash generated from/ (used in) operating activities	**96,158**	**79,880**
Cash flows from investing activities		
Payment for property, plant and equipment	(3,000)	(13,120)
Payment for intangible assets	-	-
Proceeds on disposal of property, plant and equipment	-	-
Net cash (used in)/ provided by investing activities	**(3,000)**	**(13,120)**
Cash flows from financing activities		
Proceeds from borrowings	-	-
Repayment of borrowings	(6,402)	(24,455)
Dividends paid	(53,416)	(53,416)
Net cash used in financing activities	**(59,818)**	**(77,871)**
Net increase/ (decrease) in cash held	**33,340**	**(11,111)**
Cash and cash equivalents at beginning of financial year	223,397	234,508
Cash and cash equivalents at end of half-year	**256,737**	**223,397**

The statement of cash flows is to be read in conjunction with the independent review report and the notes to the financial statements.

Notes to the financial statements

For year ended 30 June 2015

Note 1. Statement of significant accounting policies

The financial statements and notes represent those of Inner West Community Enterprises Limited, the company.

Statement of compliance

These financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards.

Basis of preparation

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.

Adoption of new and amended accounting standards

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements.

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 Seddon, 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.

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

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.

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

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as “day to day” banking business (i.e. ‘margin business’). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (i.e. ‘commission business’). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 and February 2013 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank**® partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank**® companies remain balanced.

The third source of revenue is a proportion of the fees and charges (i.e. what are commonly referred to as ‘bank fees and charges’) charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

Note 1. Statement of significant accounting policies (continued)

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 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.

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.

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

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.

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.

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

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.

Payment terms

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

Borrowings

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

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.

Note 1. Statement of significant accounting policies (continued)

Financial instruments (continued)

Recognition and initial measurement (continued)

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 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 comprehensive income.

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.

Note 1. Statement of significant accounting policies (continued)

Leases (continued)

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.

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.

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.

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.

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.

Note 2. Financial risk management (continued)

(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%.

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 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.

Note 3. Critical accounting estimates and judgements (continued)

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 comprehensive income.

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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	873,327	774,779
- other revenue	60,840	50,000
Total revenue from operating activities	**934,167**	**824,779**
Non-operating activities:		
- interest received	5,051	3,279
Total revenues from ordinary activities	**939,218**	**828,058**

Note 5. Expenses

	2015 $	2014 $
Depreciation of non-current assets:		
- plant and equipment	784	2,317
- leasehold improvements	8,919	11,273
Amortisation of non-current assets:		
- franchise agreement	13,847	13,847
- franchise renewal fee	11,537	11,536
Finance costs:		
- interest paid	619	1,520
Bad debts	23	1,984

Notes to the financial statements (continued)

	2015 $	2014 $

Note 6. Income tax expense/credit

The components of tax expense comprise:		
- Current tax	-	-
- Movement in deferred tax	(2,964)	(4,539)
- Recoupment of prior year tax losses	22,492	37,832
- Under/(Over) provision of tax in the prior period	4,561	-
	24,089	**33,293**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit	**51,248**	**106,647**
Prima facie tax on profit from ordinary activities at 30%	15,374	31,994
Add tax effect of:		
- non-deductible expenses	-	-
- timing difference expenses	2,964	4,540
- other deductible expenses	4,154	1,298
Current tax	**22,492**	**37,832**
Movement in deferred tax	(2,964)	(4,539)
Under/(Over) provision of income tax in the prior year	4,561	-
	24,089	**33,293**

Note 7. Cash and cash equivalents

Cash at bank and on hand	87,075	128,223
Term deposits	169,662	95,174
	256,737	**223,397**
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	87,075	128,223
Term deposits	169,662	95,174
	256,737	**223,397**

Note 8. Trade and other receivables

Trade receivables	89,503	65,744
Other receivables and accruals	367	13,372
Prepayments	-	5,621
	89,870	**84,737**

Note 9. Property, plant and equipment

	2015 $	2014 $
Plant and equipment		
At cost	42,792	42,792
Less accumulated depreciation	(33,149)	(32,365)
	9,643	**10,427**
Leasehold improvements		
At cost	184,171	181,171
Less accumulated depreciation	(72,985)	(64,066)
	111,186	**117,105**
Total written down value	**120,829**	**127,532**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	10,427	12,744
Additions	-	-
Disposals	-	-
Less: depreciation expense	(784)	(2,317)
Carrying amount at end	**9,643**	**10,427**
Leasehold improvements		
Carrying amount at beginning	117,105	115,258
Additions	3,000	13,120
Disposals	-	-
Less: depreciation expense	(8,919)	(11,273)
Carrying amount at end	**111,186**	**117,105**
Total written down value	**120,829**	**127,532**

Note 10. Intangible assets

	2015 $	2014 $
Franchise fee		
At cost	21,537	21,537
Less: accumulated amortisation	(14,812)	(12,502)
	6,725	**9,035**

Notes to the financial statements (continued)

	2015 $	2014 $

Note 10. Intangible assets (continued)

	2015 $	2014 $
Renewal processing fee		
At cost	57,684	57,684
Less: accumulated amortisation	(24,035)	(12,498)
	33,649	**45,186**
Total written down value	**40,374**	**54,221**

Note 11. Taxation

	2015 $	2014 $
Deferred tax assets		
- accruals	-	795
- employee provisions	15,303	13,197
- tax losses carried forward	731	27,783
Total deferred tax assets	**16,034**	**41,775**
Deferred tax liability		
- accruals	110	76
- deductible prepayments	-	1,686
Total deferred tax liabilities	**110**	**1,762**
Net deferred tax asset	**15,924**	**40,013**
Movement in deferred tax charged to statement of comprehensive income	**24,089**	**33,293**

Note 12. Trade and other payables

	2015 $	2014 $
Trade creditors	12,084	14,647
Other creditors and accruals	44,339	22,305
	56,423	**36,952**

Note 13. Borrowings

	2015 $	2014 $
Current:		
Lease liability	**-**	**6,402**
Non-current:		
Lease liability	**-**	**-**

The lease liability was repayable monthly with the final instalment paid in September 2014. Interest was recognised at an average rate of 7.43% (2014: 7.43%). The lease was secured by a fixed and floating charge over the company's assets.

	2015 $	2014 $

Note 14. Provisions

	2015 $	2014 $
Current:		
Provision for annual leave	**22,769**	**20,278**
Non-current:		
Provision for long service leave	**28,242**	**23,711**

Note 15. Contributed equity

	2015 $	2014 $
667,696 Ordinary shares fully paid (2014: 667,696)	635,901	635,901
Less: equity raising expenses (Seddon)	(28,194)	(28,194)
	607,707	**607,707**

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Note 15. Contributed equity (continued)

Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the Board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 246. As at the date of this report, the company had 260 shareholders.

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

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

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

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

Note 16. Statement of cash flows

	2015 $	2014 $
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities:		
Profit from ordinary activities before income tax	27,159	73,354
Non cash items:		
- depreciation	9,703	13,590
- amortisation	13,847	13,847
- write off of equity raising costs associated with Yarraville	-	10,822

	2015 $	2014 $

Note 16. Statement of cash flows (continued)

	2015 $	2014 $
Changes in assets and liabilities:		
- (increase)/ decrease in receivables	(5,133)	(21,871)
- (increase)/ decrease in other assets	33,293	
- increase/ (decrease) in payables	19,471	(58,530)
- increase/ (decrease) in provisions	7,022	15,375
Net cash flows provided by operating activities	**72,069**	**79,880**

Note 17. Leases

	2015 $	2014 $
Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	-	6,482
- between 12 months and 5 years	-	-
- greater than 5 years	-	-
Minimum lease payments	**-**	**6,482**
Less: Future finance charges	-	(80)
Present value of minimum lease payments	**-**	**6,402**
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	52,769	52,764
- between 12 months and 5 years	167,102	21,985
- greater than 5 years	-	-
	219,871	**74,749**

The branch premises lease is a non-cancellable lease with a five-year term. The lease commenced on 7 May 2014 and has two 5 year renewal options remaining. Rent payable monthly in advance and is increased annually by CPI.

Note 18. Auditor's remuneration

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

	2015 $	2014 $
Andrew Frewin Stewart		
- audit and review services	-	3,850
- share registry services	935	2,155
- non audit services	-	7,306

Notes to the financial statements (continued)

	2015 $	2014 $
Note 18. Auditor's remuneration (continued)		
Frederik Eksteen (Collins & Co)		
- audit and review services	3,700	-
- non audit services	2,800	-
	7,435	**13,311**

Note 19. 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.

Transactions with Directors

There were no transactions with Directors during the period under review.

	2015 $	2014 $
Key management personnel shareholdings		
Ordinary shares fully paid	**82,553**	**83,323**

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

Note 20. Dividends paid or provided

Dividends paid during the year

- Unfranked dividend - 8 cents (2014: 8 cents) per share	**53,416**	**53,416**

Note 21. Earnings per share

		2015 $	2014 $
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	27,159	73,354
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	667,696	667,696

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 Inner West, 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
90 Charles Street Seddon Vic 3011	90 Charles Street Seddon Vic 3011

Note 26. Financial instruments

Financial instrument composition and maturity analysis

The information 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	87,075	126,443	169,662	96,954	-	-	-	-	-		1.85%	1.87%
Receivables	-	-	-	-	-	-	-	-	89,503	65,744	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	-	6,402	-	-	-	-	-	-	7.43%	7.43%
Payables	-	-	-	-	-	-	-	-	56,423	36,952	N/A	N/A

Note 26. Financial instruments (continued)

Net fair values

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

Credit risk

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

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

Interest rate risk

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

Sensitivity analysis

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

As at 30 June 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%	1,699	1,264
Decrease in interest rate by 1%	1,699	1,264
Change in equity		
Increase in interest rate by 1%	1,699	1,264
Decrease in interest rate by 1%	1,699	1,264

Directors' declaration

In accordance with a resolution of the Directors of Inner West Community Enterprises Limited, we state that:

In the opinion of the Directors:

1. The financial statements and notes are in accordance with the Corporations Act 2001 including:
   (a) giving a true and fair view of the financial position of the company as at 30 June 2015 and of its performance, as represented by the results of its operations and cash flows for the year ended on that date;
   (b) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. 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.

Jan Jette Wiersman
Chairman

Dated 29 September 2015.

Independent audit report

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TOWARDS A VISION SHARED

INNER WEST COMMUNITY ENTERPRISES LIMITED
A.B.N. 93 124 893 705
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Report on the Financial Report

I have audited the accompanying financial report of Inner West Community Enterprises Limited (the company), which comprises the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, 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 fair presentation of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair 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 accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent audit report (continued)

Independence

In conducting my audit, I have complied with the independence requirements of the Corporations Act 2001. I confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Inner West Community Enterprises Limited would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion on the Financial Report

In my opinion:

the financial report of Inner West Community Enterprises Limited is 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 and cash flows for the year ended on 30 June 2015; and

ii. complying with Australian Accounting Standards and the Corporations Act 2001.

Report on the Remuneration Report

I 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 sectrion 300A of the Corporations Act 2001. My responsibility is to express an opinion on the remuneration report, based on my audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion on the Remuneration Report

In my opinion, the remuneration report of Inner West Community Enterprises Limited for the year ended 30 June 2015, complies with Section 300A of the Corporations Act 2001.

Frederik Ryk Ludolf Eksteen CA
ASIC Auditor Registration Number 421448

Collins & Co
127 Paisley Street
FOOTSCRAY VIC 3011

Dated this 29th day of September 2015.

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