

COMMUNITY



Annual Report 2016

Inner West Community
Enterprises Limited

ABN 93 124 893 705

Seddon **Community Bank**[®] Branch

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Chairperson's report

For year ending 30 June 2016

It was my privilege to take over the role of the Chair of Inner West Community Enterprises Limited (IWCEL) from JJ (Wal) Wiersma in May, and I am honoured to present my first Annual Report as Chair.

This report offers me an opportunity to reflect on the continued success of IWCEL, and the bold steps we are taking to secure a brighter long-term future. It also provides the chance to thank all of our shareholders for their continued support and faith in IWCEL. Our shareholders' faith and early commitment has given us the opportunity to develop the strong business that is IWCEL, as it continues to grow and provide solid returns to our shareholders and our community.

The results this year continue to be strong with a pre-tax profit of \$65,112, representing growth of over 10% at a time of historically low interest rates and increased competition. A healthy profit allowed us again to make a significant contribution of \$100,000 to the Bendigo and Adelaide Bank Community Enterprise Foundation™. The audited Statement of Comprehensive Income records this contribution under Charitable Donations, Sponsorships. This Investment will allow IWCEL to make a significant contribution to the right major project when it comes along.

Our strong result also includes a 7.5c dividend to our shareholders and over \$90,000 in community contributions. With your continued support, we have given over \$400,000 back to our community, and we look forward to the \$500,000 milestone next year.

Our revenue grew to \$1.045 million, an increase of over 10%, which is due to the continued support of the inner west community. Our expenses were again in line with budget expectations, except for an increase in administration, staff and support costs. This was due largely to the resignation of our inaugural Executive Officer, Kate Shedden, who kindly agreed to stay on for several weeks to provide a smooth transition period for our new Executive Officer, Deirdre O'Donnell.

Faced with a change in our revenue model with our partner, Bendigo and Adelaide Bank, we elected to take a proactive approach. This has led to the appointment of our former Chairman, Andy Moutray-Read, as our Project Manager – New Business. Andy has been instrumental in developing new ideas and relationships including a new model for school banking, key referral relationships with local business, and an agreement with an exciting new entity, 'The Dream Factory', which will have a significant impact on IWCEL in the 2016/17 financial year.

A new committee, the Strategy Committee, supports Andy. This, and our other committees; the Community Engagement Committee, chaired by Megan Bridger-Darling; the Finance, Audit, Risk and Governance Committee, chaired by Jack Fitcher, and the People and Performance Committee, chaired by Jenny Vizec, all represent significant commitment and contributions of members. I would like to thank all who serve on these committees, as they continue to assist in driving strong results for IWCEL.

There were many highlights in this past financial year, but perhaps the most outstanding event was the 'Community Pitch Night'. We achieved a fantastic result by combining with local businesses to give out \$21,550 to local community groups.

In other staff news, Graham Evans, the Branch Manager who steered Seddon **Community Bank**® Branch to such great results over the last few years, elected to take up a new opportunity to run his own business.

We thank both Graham Evans and Kate Shedden for their excellent service, and wish them both well.

At a Board level, we would like to thank and honour the contributions of retiring Directors, Grant Ritchie, James Macdougall and Ross Raymond, while welcoming new Directors, Megan Bridger-Darling, David Brennan and Adam Sawell.

Chairperson's report (continued)

The branch team at the Seddon **Community Bank**[®] Branch have continued to work hard to support our community's banking needs. I would like to thank all of them for their hard work and commitment, particularly in supporting key events such as Community Pitch, our local Seddon and Yarraville Festivals, Carols by Candlelight, and School banking.

If you haven't visited the branch recently, or moved your banking to Seddon **Community Bank**[®] Branch, I implore you to do so, and to tell your friends, family and colleagues about us. Our success is built on word-of-mouth and referrals, and I encourage you to build value in your asset by helping us grow the business even more.

During the course of the year, the Board developed our key mission statement: 'Grow the Inner West'! With that as our guiding statement, we have reviewed and continue to review all parts of the business to meet that key objective.

Our review also offered us the time to reflect on where we have been, and, to that end, we have commenced an IWCEL history project. As our company grows with our community, we want to make sure that we not only remember our simple purpose, to help our community flourish, but that we also remember the people and stories that made our future possible. These people realised that a bank is not merely a cornerstone of our finances but something that could help bring community-driven ideas to fruition, change lives for the better, and make things possible.

We intend to take those peoples' stories and make a permanent record of their achievements; to celebrate where we came from; to remember those who made it happen, and to inspire future generations of people who will not stand by and accept that "It can't be done."

We welcome the contribution of all shareholders and customers about their memories of the beginnings of Seddon **Community Bank**[®] Branch and banking in the inner west.

I would like personally to thank the branch staff, fellow Directors and committee members for their support during my role as Chair. I am honoured to be the first female Chair of IWCEL, and I look forward to serving the Board, shareholders and wider community in our endeavour to 'Grow The Inner West'!

Thank you,



Sarah Natalie Franklyn
Chairperson

Manager's report

For year ending 30 June 2016

It is my pleasure to provide this year's Manager's Report for Inner West Community Enterprises Limited on behalf of the Seddon **Community Bank**[®] Branch Manager.

The 2015/16 financial year saw our branch grow its total banking business by \$11.9 million which represents excellent business growth of 10.6% and is due to the continued support of the local community in our local branch. During the year our customers, both existing and new, have supported us in all areas of our business including commercial and home lending, equipment finance, term deposits, business and personal transaction accounts and student and children's banking. At the close of the financial year our total banking business stood at \$123.4 million which is a number of which we are very proud.

Our team of staff at the branch are proudly involved in the support our **Community Bank**[®] branch provides the local community both financially and by attending a significant number of local functions, festivals and events. I would like to thank the team for the hard work in helping our business to continue to grow and prosper.

Our long-standing Branch Manager, Graham Evans, has recently moved on from his position to pursue a career outside of banking and I would like to take this opportunity to acknowledge the very important role he has played in the success of our branch and thank him for his contribution over the years.

It is an exciting time for Seddon **Community Bank**[®] Branch as we look forward to welcoming a new Branch Manager to the team.

Thank you to everyone for their support of our local branch, Directors, shareholders and community members, and most importantly our wonderful customers; it is you who truly drive the success of our important local enterprise.



Ashdon Capp
Senior Manager Strategy & Performance
Melbourne Western Region.

Directors' report

For the financial year ended 30 June 2016

Your Directors submit the financial statements of the company for the financial year ended 30 June 2016.

Directors

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

Sarah Natalie Franklyn

Director (Appointed September 2015)

Occupation: Marketing Consultant

Qualifications, experience and expertise: With a Bachelor of Business Marketing from Monash, Sarah has spent many years working in the loyalty, membership and digital industries across a number of sectors along with volunteering her time as a mentor to university graduates and other community groups. Sarah has also worked as a consultant for many small businesses and entrepreneurs to help build their marketing and business plans. A long term resident of Yarraville, Sarah shares a passion for the people and places of the Inner West.

Special responsibilities: Chairperson since 30 May 2016

Interests in shares: Nil

Jan Jelte Wiersma

Director

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 until 30 May 2016

Interest in shares: 1,000

David St John

Director

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

Directors' report (continued)

Directors (continued)

Michael Francis Bodman

Director

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

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: Treasurer

Interest in shares: Nil

Jennifer Anne Vizec

Director

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: Nil

Interest in shares: Nil

David Patrick Brennan GAICD

Director (Appointed December 2015)

Occupation: : Banker DipFin Mgt, B.Bus(Law), ExecEd(Harv.)

Qualifications, experience and expertise: David is currently the Head of Engagement – act. Banking within Community Sector Banking at Bendigo Bank. David is an experience investment management professional, having held roles with Dimensional Fund Advisors and Macquarie Bank. He also holds a number of Board positions including the Australasian College of Sport and Exercise Physicians, General Practice Registrars Australia, the Intensive Care Foundation of Australian and NZ, the New Palm Court Orchestra and the Australia Literary Journal at ANU. David is a Council Member – Compass at the Faculty of Business & Economics, Melbourne University and is a justice of the Peace in NSW and Victoria.

David holds degrees in Finance and Business Law from ESC Rouen, France and the University of Technology, Sydney along with post-graduate studies in Strategic Management at the John F. Kennedy School of Government, Harvard University. David is a Graduate of the Australian Institute of Company Directors and a Fellow of the Financial Service Institute of Australasia. David sits as a member of the IWCE Strategy Committee.

Directors' report (continued)

Directors (continued)

David Patrick Brennan GAICD (continued)

Special responsibilities: Nil

Interest in shares: Nil

Megan Bridger-Darling

Director (Appointed December 2015)

Occupation: Digital Marketer

Qualifications, experience and expertise: Megan has been an Inner West resident for 10 years and has helped to develop local projects consistently over that time. Her special interest areas include communications and community development, utilising Event Design & Management skills. Her contribution to the community and culture of the Inner West has seen positive changes to the community. Megan is currently completing studies at Victoria University in International Security, Politics and History,

Special responsibilities: Chair of Community Engagement Committee

Interest in shares: Nil

Adam Hindmarsh Sawell

Director (Appointed June 2016)

Occupation: Marketing Communications Consultant; Communications Manager Vision 2020 Australia

Qualifications, experience and expertise: A committed 'Westy', Adam's focus is on marketing and community engagement in support of the Seddon **Community Bank** Branch and Inner West Community Enterprises Ltd. He brings with him many years' experience of working with private, public sector and government organisations in a marketing communications capacity. He has previously served on the Board of an inner west sporting organisation and his marketing consultancy business is based in Yarraville. Adam is a member of the Chartered Institute of Public Relations (UK) and the Communications Advertising and Marketing Foundation.

Special responsibilities: Nil

Interest in shares: Nil

Ross Leslie Raymond

Director (Appointed December 2015/ Resigned June 2016)

Occupation: Partner NEM - Australasia Pty Ltd

Qualifications, experience and expertise: Ross has over 20 years' experience working across the extractive, construction and environmental services sectors within his own business, privately owned and investee businesses, having commenced his career in the family business and successfully navigated through a complexity of succession issues. Ross gained hands on experience transitioning through various operational and management roles leading and executing a merger of the business to become a horizontally and vertically integrated business in the petrochemical and related industry sectors.

Special responsibilities: Nil

Interest in shares: Nil

Andrew Paul Moutray-Read

Director (Resigned January 2016)

Occupation: Small Business Owner

Qualifications, experience and expertise: Member of the original Steering Committee for the **Community Bank**[®] 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: Nil

Interests in shares: 8,926

Directors' report (continued)

Directors (continued)

James Lewin Macdougall

Director (Resigned November 2015)

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: 7,351

Grant Kelson Ritchie

Director (Resigned November 2015)

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: Nil

Interest in shares: 16,275

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 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 2016 \$	Year ended 30 June 2015 \$
65,112	27,159

Directors' report (continued)

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
David St John	2,100	-	2,100
Michael Francis Bodman	-	-	-
Jonathon Victor Fitcher	-	-	-
Jennifer Anne Vizec	-	-	-
Sarah Franklyn (Appointed September 2015)	-	-	-
David Brennan (Appointed December 2015)	-	-	-
Megan Darling (Appointed December 2015)	-	-	-
Adam Sawell (Appointed June 2016)	-	-	-
Ross Raymond (Appointed December 2015/ Resigned June 2016)	-	-	-
Andrew Paul Moutray-Read (Resigned January 2016)	8,926	-	8,926
James Lewin Macdougall (Resigned November 2015)	7,351	-	7,351
Grant Kelson Ritchie (Resigned November 2015)	11,025	5,250	16,275

Dividends

	Year ended 30 June 2016		Year ended 30 June 2015	
	Cents	\$	Cents	\$
Final dividends recommended	7.5	50,078	8.0	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.

Directors' report (continued)

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 specifically excluded by the insurance policy.

Directors' meetings

	Board meetings attended	
	Eligible	Attended
Jan Jelte Wiersma	10	10
David St John	11	9
Michael Francis Bodman	10	6
Jonathon Victor Fitcher	9	9
Jennifer Anne Vizec	11	10
Sarah Franklyn (Appointed September 2015)	9	7
David Brennan (Appointed December 2015)	7	5
Megan Darling (Appointed December 2015)	7	7
Adam Sawell (Appointed June 2016)	1	1
Ross Raymond (Appointed December 2015/ Resigned June 2016)	7	6
Andrew Paul Moutray-Read (Resigned January 2016)	6	6
James Lewin Macdougall (Resigned November 2015)	4	2
Grant Kelson Ritchie (Resigned November 2015)	4	1

Proceedings on behalf of the company

No person has applied for leave of court to bring proceedings on behalf of the company or 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 any part of those proceedings.

The company was not a party to any such proceedings during the year..

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.

Directors' report (continued)

Non audit services (continued)

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 12.

Signed in accordance with a resolution of the Board of Directors at Seddon, Victoria on 28 September 2016.



Sarah Natalie Franklyn
Chairperson

Auditor's independence declaration

TOWARDS A VISION SHARED



127 Paisley Street
Footscray VIC 3011
Australia

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Fax (03) 9689 6605

**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 2016 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 28th day of September 2016.

Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

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

	Notes	2016 \$	2015 \$
Revenues from ordinary activities	4	1,045,327	939,218
Employee benefits expenses		(441,070)	(465,502)
Charitable donations, sponsorship, advertising and promotion		(224,167)	(176,153)
Occupancy and associated costs		(75,837)	(76,362)
Systems costs		(44,711)	(52,741)
Depreciation and amortisation expense	5	(23,100)	(23,550)
Finance costs	5	-	(619)
General administration expenses		(153,632)	(93,043)
Profit before income tax expense		82,810	51,248
Income tax expense	6	(17,698)	(24,089)
Profit after income tax expense		65,112	27,159
Total comprehensive income for the year attributable to members		65,112	27,159
Earnings per share (cents per share)		c	c
Basic attributable profit for the period:	21	9.75	4.07

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

Financial statements (continued)

Statement of Financial Position as at 30 June 2016

	Notes	2016 \$	2015 \$
Assets			
Current assets			
Cash and cash equivalents	7	357,950	256,737
Trade and other receivables	8	106,494	89,870
Total current assets		464,444	346,607
Non current assets			
Property, plant & equipment	9	113,352	120,829
Intangible assets	10	26,527	40,374
Deferred tax asset	11	8,325	15,924
Total non-current assets		148,204	177,127
Total assets		612,648	523,734
Liabilities			
Current liabilities			
Trade and other payables	12	142,772	56,423
Tax liability	11	5,183	-
Provisions	13	11,789	22,769
Total current liabilities		159,744	79,192
Non-current liabilities			
Provisions	13	21,570	28,242
Total non-current liabilities		21,570	28,242
Total liabilities		181,314	107,434
Net assets		431,334	416,300
Equity			
Issued share capital		607,707	607,707
Accumulated members funds/ (losses)		(176,373)	(191,407)
Total equity		431,334	416,300

The balance sheet is to be read in conjunction with the independent audit report and the notes to the financial statements.

Financial statements (continued)

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

	Issued share capital \$	Accumulated losses \$	Total \$
Balance 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	-	-	-
Equity costs written back	-	-	-
Dividends provided for or paid	-	(53,416)	(53,416)
Balance at 30 June 2015	607,707	(191,407)	416,300
Balance as at 1 July 2015	607,707	(191,407)	416,300
Total comprehensive income for the year	-	65,112	65,112
	607,707	(126,295)	481,412
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(50,078)	(50,078)
Balance as at 30 June 2016	607,707	(176,373)	431,334

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

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		1,023,464	929,034
Payments to suppliers and employees		(870,720)	(837,308)
Interest received		5,239	5,051
Interest paid		-	(619)
Income tax paid		(4,916)	-
Net cash generated from/ (used in) operating activities		153,067	96,158
Cash flows from investing activities			
Payment for property, plant and equipment		(1,776)	(3,000)
Payment for intangible assets		-	-
Proceeds on disposal of property, plant and equipment		-	-
Net cash (used in)/ provided by investing activities		(1,776)	(3,000)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	(6,402)
Dividends paid		(50,078)	(53,416)
Net cash used in financing activities		(50,078)	(59,818)
Net increase/ (decrease) in cash held		101,213	33,340
Cash and cash equivalents at beginning of financial year		256,737	223,397
Cash and cash equivalents at end of half-year		357,950	256,737

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

Notes to the financial statements

For year ended 30 June 2016

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 2016, 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.

Notes to the financial statements (continued)

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.

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.

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

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.

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

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

Financial instruments (continued)

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.

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.

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

Provisions

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

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.

(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.

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

(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.

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.

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

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.

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

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- services commissions	975,050	873,327
- other revenue	65,038	60,840
Total revenue from operating activities	1,040,088	934,167
Non-operating activities:		
- interest received	5,239	5,051
Total revenues from ordinary activities	1,045,327	939,218

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	828	784
- leasehold improvements	8,425	8,919

Amortisation of non-current assets:

- franchise agreement	13,847	13,847
- franchise renewal fee	11,537	11,537

Finance costs:

- interest paid	-	619
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Bad debts	3,233	23
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Note 6. Income tax expense/credit

The components of tax expense comprise:

- Current tax	10,260	-
- Movement in deferred tax	6,706	(2,964)
- Recoupment of prior year tax losses	732	22,492
- Under/(Over) provision of tax in the prior period	-	4,561
	17,698	24,089

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

Operating profit	82,810	51,248
Prima facie tax on profit from ordinary activities at 30%	24,843	15,374

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 6. Income tax expense/credit (continued)		
Add tax effect of:		
- non-deductible expenses	693	-
- timing difference expenses	(6,706)	2,964
- other deductible expenses	-	4,154
Current tax	18,830	22,492
Movement in deferred tax	6,706	(2,964)
Under/(Over) provision of income tax in the prior year	(7,838)	4,561
	17,698	24,089

Note 7. Cash and cash equivalents

Cash at bank and on hand	114,368	87,075
Term deposits	243,582	169,662
	357,950	256,737

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	114,368	87,075
Term deposits	243,582	169,662
	357,950	256,737

Note 8. Trade and other receivables

Trade receivables	100,884	89,503
Other receivables and accruals	543	367
Prepayments	5,067	-
	106,494	89,870

Note 9. Property, plant and equipment

Plant and equipment

At cost	44,568	42,792
Less accumulated depreciation	(33,977)	(33,149)
	10,591	9,643

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 9. Property, plant and equipment (continued)		
Leasehold improvements		
At cost	184,171	184,171
Less accumulated depreciation	(81,410)	(72,985)
	102,761	111,186
Total written down value	113,352	120,829
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	9,643	10,427
Additions	1,776	-
Disposals	-	-
Less: depreciation expense	(828)	(784)
Carrying amount at end	10,591	9,643
Leasehold improvements		
Carrying amount at beginning	111,186	117,105
Additions	-	3,000
Disposals	-	-
Less: depreciation expense	(8,425)	(8,919)
Carrying amount at end	102,761	111,186
Total written down value	113,352	120,829

Note 10. Intangible assets

Franchise fee		
At cost	21,537	21,537
Less: accumulated amortisation	(17,122)	(14,812)
	4,415	6,725
Renewal processing fee		
At cost	57,684	57,684
Less: accumulated amortisation	(35,572)	(24,035)
	22,112	33,649
Total written down value	26,527	40,374

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 11. Taxation		
Provision for Income Tax	5,183	-
Deferred tax assets		
- accruals	-	-
- employee provisions	10,008	15,303
- tax losses carried forward	-	731
Total deferred tax assets	10,008	16,034
Deferred tax liability		
- accruals	163	110
- deductible prepayments	1,520	-
Total deferred tax liabilities	1,683	110
Net deferred tax asset	8,325	15,924
Movement in deferred tax charged to statement of comprehensive income	7,599	24,089

Note 12. Trade and other payables

Trade creditors	120,074	12,084
Other creditors and accruals	22,698	44,339
	142,772	56,423

Note 13. Provisions

Current:

Provision for annual leave	11,789	22,769
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Non-current:

Provision for long service leave	21,570	28,242
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Note 14. Contributed equity

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

Notes to the financial statements (continued)

Note 14. Contributed equity (continued)

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if 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.

Notes to the financial statements (continued)

Note 14. Contributed equity (continued)

Prohibited shareholding interest (continued)

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

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

	2016	2015
	\$	\$

Note 15. Statement of cash flows

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

Profit from ordinary activities before income tax	82,810	51,248
Non cash items:		
- depreciation	9,253	9,703
- amortisation	13,847	13,847
Changes in assets and liabilities:		
- (increase)/ decrease in receivables	(16,624)	(5,133)
- (increase)/ decrease in other assets	-	-
- increase/ (decrease) in payables	86,349	19,471
- increase/ (decrease) in provisions	(17,652)	7,022
- (increase)/ decrease in deferred tax assets	7,599	24,089
- increase/ (decrease) in income tax liabilities	(12,515)	(24,089)
Net cash flows provided by operating activities	153,067	96,158

Notes to the financial statements (continued)

	2016 \$	2015 \$
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	52,769	52,769
- between 12 months and 5 years	114,333	167,102
- greater than 5 years	-	-
	167,102	219,871

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 17. Auditor's remuneration

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

Andrew Frewin Stewart

- share registry services	-	935
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Frederik Eksteen & Collins & Co

- audit and review services	3,700	3,700
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- non audit services	2,800	2,800
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	6,500	7,435
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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.

Transactions with Directors

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

	2016 \$	2015 \$
Key Management Personnel shareholdings		
Ordinary shares fully paid	35,652	82,553

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

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 19. Dividends paid or provided		
Dividends paid during the year		
- Unfranked dividend - 7.5 cents (2015: 8 cents) per share	50,078	53,416

Note 20. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	65,112	27,159
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	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	667,696	667,696

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 Inner West, 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

90 Charles Street
Seddon Vic 3011

Principal place of business

90 Charles Street
Seddon Vic 3011

Notes to the financial statements (continued)

Note 25. 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					
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 %	2015 %
Financial assets												
Cash and cash equivalents	114,368	126,443	243,582	169,662	-	-	-	-	-	-	1.85%	1.87%
Receivables	-	-	-	-	-	-	-	-	100,884	89,503	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	-	7.43%	7.43%
Payables	-	-	-	-	-	-	-	-	142,772	56,423	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.

Notes to the financial statements (continued)

Note 25. Financial instruments (continued)

Sensitivity analysis (continued)

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

	2016	2015
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	2,436	1,699
Decrease in interest rate by 1%	2,436	1,699
Change in equity		
Increase in interest rate by 1%	2,436	1,699
Decrease in interest rate by 1%	2,436	1,699

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 2016 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.



Sarah Natalie Franklyn
Chairperson

Dated this 28 September 2016

Independent audit report

TOWARDS A VISION SHARED



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

127 Paisley Street
Footscray VIC 3011
Australia
Phone (03) 9680 1000
Fax (03) 9689 6605
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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 2016, 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.

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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 2016 and of its performance and cash flows for the year ended on 30 June 2016; 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 2016. 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. 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 2016, complies with Section 300A of the Corporations Act 2001.

A handwritten signature in black ink, appearing to read 'Frederik Ryk Ludolf Eksteen'.

Frederik Ryk Ludolf Eksteen CA
ASIC Auditor Registration Number 421448

Collins & Co
127 Paisley Street
FOOTSCRAY VIC 3011

Dated this 28th day of September 2016.

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