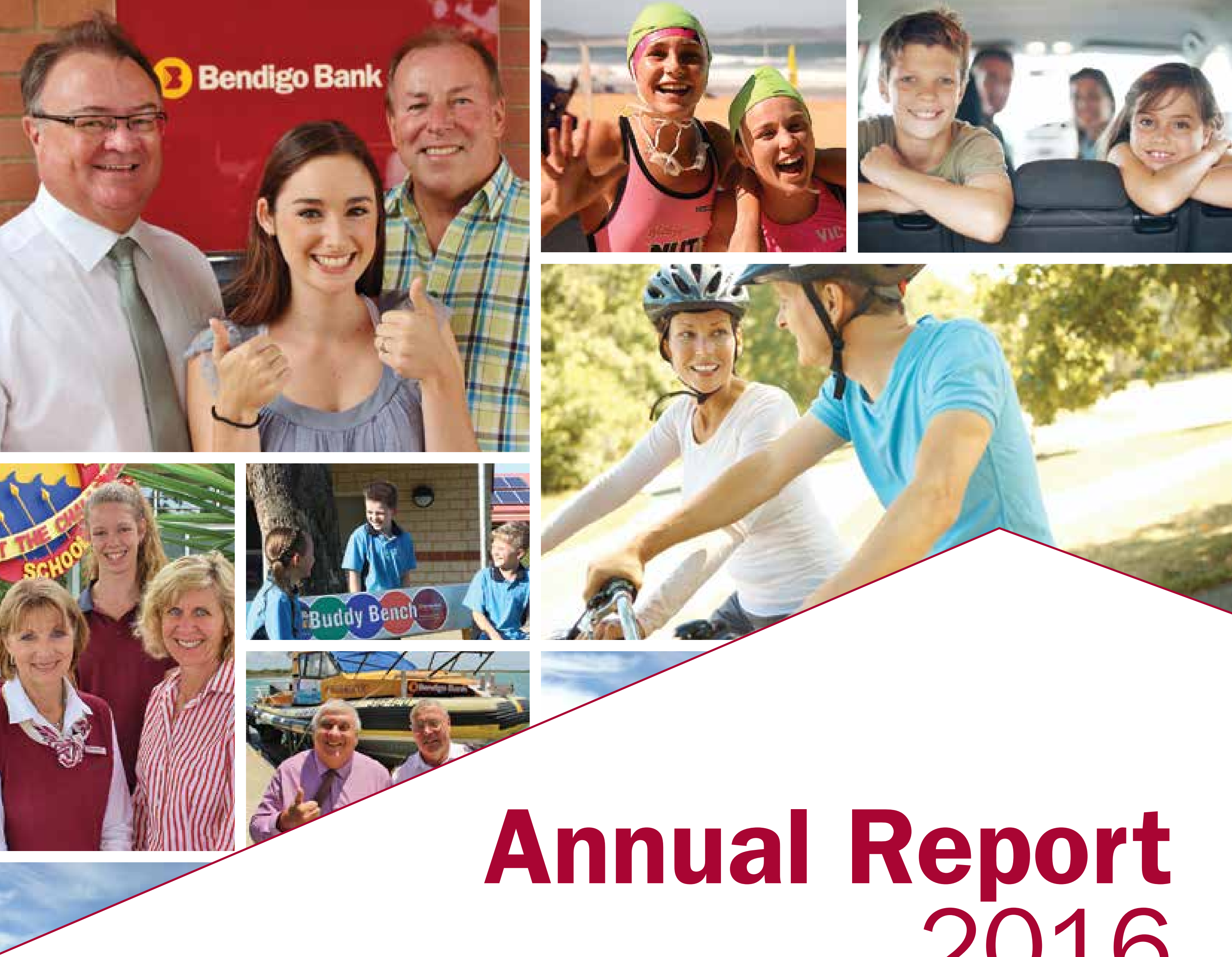


Annual Report 2016

Pinjarra Community
Financial Services Limited

ABN 31 097 389 547

Pinjarra **Community Bank**® Branch

Contents

Chairman’s report

For year ending 30 June 2016

On behalf of the Pinjarra Community Financial Services Limited Board I would like to present the Chair’s report of the Pinjarra Community Bank® Branch performance and activities for the 2015/16 financial year.

I am pleased to announce that our financial position at the 30 June 2016 shows an after tax profit of $110,844, with the total business increasing from $123 million in 2014/15 to $125 million in 2015/16.

The Waroona ATM service has been restored and is being well utilised by the people of Waroona.

The Pinjarra **Community Bank**® Branch has been successfully relocated to 35 George Street, Pinjarra.

The opening was celebrated with due ceremony on the day, and a very successful evening function attended by many shareholders. It is always a great pleasure for the Board to have the ability to meet and socialise with shareholders whenever the opportunity arises.

The new spacious and modern premises have received excellent customer feedback and will provide all the necessary provisions for the growth of the business and customer services over the next ten years.

A key objective of your Board is to grow the banking business to generate profits which can be channelled back into our community in the form of sponsorships, grants and donations, to support and facilitate worthwhile community focussed projects. Your Board also believes that shareholders deserve to receive a reasonable return on their investments from available profits.

During the financial year, the Board has paid a fully franked dividend of five cents and has been able to contribute $65,117 to community projects. Some of the key community projects which deserve special mention are the Waroona Bushfire Appeal, the Pinjarra Community Garden Project and the Magic Moments Camp.

Your **Community Bank**® company was among the first to commit to a donation to enable the foundation of the relief appeal in conjunction with the Salvation Army to provide the bushfire ravaged areas of Waroona and Yarloop with ongoing recovery.

The Pinjarra Community Garden, to which the **Community Bank**® company committed $30,000 to provide the necessary site works and erection of the main shed, is a very important community project for Pinjarra in which we are proud to participate from its inception.

We are also very proud of being able to sponsor a delegate to the Magic Moments Programme, which brings teenaged children facing social obstacles together from all over Australia to provide them with the tools they need to rise above their challenges to give them the opportunities so many take for granted. We are hoping to provide many more young people with this opportunity in the future.

Our three-year involvement with the Cantwell Children’s Playground has now been successfully completed, and the children of Pinjarra have a safe and happy place to meet and play.

Other projects include:

- ANZAC Day services held In Pinjarra and Waroona
- Dwellingup Pumpkin Festival
- Community Bowls sponsorship for Pinjarra and Waroona Bowling Clubs
- Pinjarra Festival
- Various community fundraising events.

The 2015/16 financial year has seen some changes for Pinjarra Community Financial Services Limited and I am pleased to welcome a new Director, Fiona Bell, to the Board. Fiona brings considerable expertise in corporate events management and will be a tremendous asset to our marketing and community involvement.

Chairman's report (continued)

It was with great regret that the Board accepted the resignations of two Directors, Terry Clark and Graeme Watson. Terry and Graeme have been valued members of the Board, and although we will miss their involvement, we wish them the very best for their futures and thank them for their contribution.

The branch team remains our greatest asset, and I would like to thank our Branch Manager, Donna Bamkin, and her staff, for their professionalism, enthusiasm and commitment to providing high levels of customer service.

It is with great sadness I leave the Board today. I have enjoyed my involvement with Pinjarra Community Financial Services Limited. It has been a pleasure to serve the shareholders and community of Pinjarra, and a privilege to have been your Chairman for the past two years.

On a personal note, I would like to extend my gratitude to our Administration Officer, Jan Grandison. Jan's diligence and commitment has assisted me greatly in carrying out my role as Chairman.

I leave with the certain knowledge that the **Community Bank**® company is under the guidance of a strong and committed Board to take it forward in this exciting period of growth and development of the business. I would like to thank my fellow Directors for the support they have given me over the year and for the dedicated service that they have given voluntarily to our **Community Bank**® company.

B J Hammond

Barbara Hammond
Chairman

Manager's report

For year ending 30 June 2016

The Pinjarra **Community Bank**® Branch has enjoyed a very exciting year, with our much anticipated move into new premises, accepting challenges to excel in the banking business and expanded involvement in the community.

The new branch premises are spacious and modern which reflects our commitment to moving forward and providing the best service to our customers.

I extend an invitation to every shareholder to visit the branch, introduce yourself to me, and discuss how we can best assist with your present and future banking requirements. We have many products to offer outside of normal banking requirements. We are, after all, **Bigger than a bank**, and you, as shareholders, can only benefit from our business growth.

At this, the end of the 2015/16 financial year, your **Community Bank**® branch is among the leaders in insurance sales across the state, and the staff is working hard to achieve the award for highest sales. Deposits and lending have increased this year, due to the wide range of financial products we are able to offer our customers. We achieved $1.668 million growth to our Book, despite the economic climate in which we operate, and the 2016/17 financial year has commenced with strong growth potential.

We have also increased our involvement in community activities. This year, amongst our many grants, we made a decision to commit to becoming a major sponsor of the Pinjarra Community Garden, which is a project involving the provision of garden plots to the members of the Pinjarra community, run by the community for the community. We believe this to be an embodiment of our own attitude of being a **Community Bank**® branch servicing our community. In total, we have contributed $65,117 to the Pinjarra community this year.

I would like to express my thanks to the dedicated and enthusiastic staff at the branch, without whom our business would not enjoy the success it has achieved, and the members of the Board who contribute their time and expertise to ensure the business continues to grow and thrive under its direction.

I look forward to the Pinjarra **Community Bank**® Branch enjoying another successful, challenging and prosperous year of growth and commitment to the community.

Donna Bamkin
Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2016

It’s been 18 years since Bendigo Bank and two rural communities announced they were joining forces to open **Community Bank**® branches.

The initial aim was to return traditional bank branches to regional communities.

It was soon obvious that the ‘community’ aspect of this unique banking model was going to be just as important to all types of communities; whether they are rural, regional or urban.

Today, there are 312 **Community Bank**® communities in every state and territory of Australia.

The statistics are impressive:

- More than $148 million in community contributions returned to local communities
- 1,900 Directors
- 1,500 staff
- More than $38 million in shareholder dividends.

Yes, these figures are staggering.

But dig a little deeper and what’s more significant is that social issues affecting every community in Australia have received funding from **Community Bank**® companies.

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

I have no doubt that your **Community Bank**® company has already had a role to play, either in a funding grant, sponsorship support or connecting locals with relevant government, corporate and not-for-profit organisations.

Behind every **Community Bank**® branch is a company Board of Directors. These people are local mums and dads, tradespeople, small business operators, farmers, lawyers, accountants, school teachers, office workers… and the list goes on.

As **Community Bank**® company Directors they volunteer their time, their professional expertise and their local knowledge to make your **Community Bank**® branch the success it is today.

To every single one of our 1,900-plus **Community Bank**® company Directors, thank you for your commitment, your confidence in Bendigo and Adelaide Bank and your vision to make your community a better place to live.

As a **Community Bank**® community, you’re all change makers.

As a shareholder, you’re critical to helping make things happen for the benefit of your community.

On behalf of Bendigo Bank, thank you.

Thank you for your support as a shareholder, your belief in your community and your faith in what a **Community Bank**® community can achieve.

Robert Musgrove
Executive Community Engagement

Directors' report

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:

Barbara Joy Hammond

Chair

Occupation: Administration Manager

Qualifications, experience and expertise: Background in finance and administration, venue and events management and previously held positions of Secretary for a local community group and strata company. Experience in board meeting procedures and corporate governance principles.

Special responsibilities: Chairman (Board & HR Committee), Finance & Audit Committee.

Interest in shares: Nil

Ernest Albert Hiddlestone

Director

Occupation: Retired

Qualifications, experience and expertise: Previously a school teacher for 37 years and Deputy Principal for 15 years. Has also been a self employed lawn mowing contractor. Treasurer for Kenwick Rotary Club (5 years).

Special responsibilities: Deputy Chairman, Marketing Committee Chairman.

Interest in shares: 300

Michael Frank Kidd

Secretary

Occupation: Retired

Qualifications, experience and expertise: 40 years experience in senior Financial Management roles in England, Papua New Guinea and Australia. Experience in the private sector, Local and State Government.

Special responsibilities: Treasurer, Company Secretary, Chairman Finance Committee.

Interest in shares: Nil

Laurence Ian Galloway

Director

Occupation: Company Director

Qualifications, experience and expertise: Has been a business owner for 40 years and a Rotary member for 27 years. Director of Pinjarra Auto Group Pty Ltd and Galloway Engine Reconditioning.

Special responsibilities: HR, Premises Committee (Chairman)

Interest in shares: 2,000

Directors (continued)

Christine Irene Thompson

Director

Occupation: Shire of Murray Councillor

Qualifications, experience and expertise: 30 years as a Councillor for the Shire of Murray with experience in Planning, Building and Environmental Development, Audit and Finance Committees. Technical Service Committee, two terms as Board Member for the Fire and Emergency Services Authority of WA. 33 years as a fire fighter, administrator, treasurer for the Volunteer Bush Fire Service. Chair of the Local Emergency Management Committee. She is a Justice of the peace and a past member of The Children's Court of WA. Past Head Coach of two local swimming clubs. Was a part of the Women's Royal Australian Navy in the radar branch. Enjoys representing the community when she can.

Special responsibilities: Marketing Committee.

Interest in shares: Nil

Stephen Donald Lee

Director

Occupation: Retired

Qualifications, experience and expertise: 35 Years in Administration & Finance, WA State Government. 8 Years self employed Proprietor. 2 Years Gardener, Pinjarra Senior High School. Currently Councillor at Shire of Murray.

Special responsibilities: Finance Committee, Premises Committee

Interest in shares: Nil

Fiona Jane Bell

Director (Appointed 26 April 2016)

Occupation: Pinjarra Community Relations, Alcoa Australia

Qualifications, experience and expertise: Worked in Corporate Affairs for more than 17 years, which included nine years working in State Government Departments' Media and Corporate Affairs teams and eight years in the resource industry working in employee and community engagement.

Special responsibilities: Marketing Committee

Interest in shares: Nil

Graeme Watson

Deputy Chairman (Resigned 11 May 2016)

Occupation: Outdoor Recreation Camp Owner

Qualifications, experience and expertise: 20 Years Farm Management. 10 Years Camp Management. Board member Quambie Park Aged Care Waroona.

Special responsibilities: Chair Premises Committee

Interest in shares: Nil

Terry Elizabeth Clark

Director (Resigned 28 January 2016)

Occupation: Business Owner

Qualifications, experience and expertise: Teachers' Certificate, Dip of Teaching 1973 Certificate II Information Technology. Publicity & P.R. Officer: Hoyts Cinemas, Perth Zoo, Channel Seven. Voice Over Talent. Variety Club of Australia Committee 1980-1985.

Special responsibilities: Chair Marketing Committee.

Interest in shares: Nil

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

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

Company Secretary

The company secretary is Michael Frank Kidd. Michael was appointed to the position of secretary on 1 March 2015.

Mike has 40 years experience in senior Financial Management roles in England, Papua New Guinea and Australia. Experience in the private sector, Local and State Government.

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank**® services under management rights to operate franchised branches of the Bendigo and Adelaide Bank Limited. The business model operates on the understanding that the Bendigo and Adelaide Bank shares the margins and commissions on new and existing business that is generated by Pinjarra Community Financial Services Limited (PCFSL). This and other income from interest on Term deposits and some direct contributions from the Bendigo and Adelaide Bank make up the income of the PCFSL. The PCFSL is responsible for the employment of the banking staff and the running of the business. The Bendigo and Adelaide Bank provides all of the banking and customer services, which by their nature are both technical and confidential. The Board and Directors of the PCFSL are barred by law from having any access to the day to day banking operations or to the details of any of the customer records.

The Board's key objective is to grow the business and generate annual profits out of which it is able to pay, a reasonable returns to its shareholders in the form of dividends, as well as stimulate, support and fund genuine community projects through marketing, sponsorship and donations. Community projects are identified under a number of different categories:

- Genuine projects which will provide a significant benefit to a specific sector of the community
- Community events which will attract significant attention from the public
- Community projects which need initial funding to enable them to develop a base from which to grow and attract local, state government or private sector funding
- Projects which are not commercial or profit motivated.

It is a stated intention of the Board that sponsorship and financial support of projects should be used to leverage the business growth opportunities of the PCFSL.

To 30 June 2016, the PCFSL has returned to its Community through marketing, sponsorships and donations a total amount of $415,000.

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 $
110,844	118,800

The profit of the company for the financial year, after provision for income tax, has decreased by 6.7% over the previous year. The total banking business has increased from $123m at the end of the 2014/2015 financial year to $215m at 30 June 2016. Whilst there has been an increase in the Income of the company of 14.5%, due to a continuing growth in the total banking business for the year; this increase has been offset by a 7.5% increase in the business expenditure and a 69.4% increase in the provision for Income Tax. As explained above, it is from the base banking business and its growth that the PCFSL earns its income through margins and commissions which are shared with the Bendigo and Adelaide Bank under the franchise agreement.

Operating results (continued)

The Board has continued to monitor and control expenditure in a year in which there have again been several changes to staff. During the year, the Board decided to move the branch operations to a new leased premises in the main street of Pinjarra. This location is both larger and better placed than the previous location and is considered to afford significantly better and more convenient banking facilities to both our customers and staff. The refurbishments and renovations to the new building took place during the last two months of the year and the staff and operations were able to commence operations just prior to the end of the financial year.

	Year ended 30 June 2016		Year ended 30 June 2015	
	$	%age change	$	%age change
Income	1,051,008	14.5%	917,746	9.0%
Expenditure	(897,068)	-7.5%	(834,387)	-23.5%
Income tax	(43,096)	-69.4%	(25,441)	50.8%
Profit/(Loss) from discontinued operations	-	100.0%	60,882	205.6%
Profit after tax	**110,844**	**-6.7%**	**118,800**	**106.9%**

Dividends paid or recommended

The company declared and paid a fully franked dividend of 5c per share amounting to $19,708 during the year.

Financial position

The net assets of the company have increased from $391,730 as at 30 June 2015 to $482,866 as at 30 June 2016. Cash and Cash Equivalents have increased from $384,038 in 2014/2015 to $638,029 at 30 June 2016. This has been achieved through a combination of an increase in the company's trading performance and the raising of loans to be used to fund a part of the costs of the renovations at the new Pinjarra branch at 35 George Street.

The company has a strong balance sheet which will enable the Board to strengthen and consolidate its business model through prudent business decisions in the coming years.

Significant changes in the state of affairs

During the year, the Board has attempted to identify a suitable business in Waroona, through which it could establish a Banking Agency to meet the expressed needs of the Waroona community. Despite several attempts, it has not been possible to achieve this objective.

Dividends

It is the Board's objective to pay to shareholders a reasonable return on their investment out of after tax profits, in the form of dividends.

The PCFSL has paid fully franked dividends out of profits after tax as follows:

30 June 2012 5 cents per share

30 June 2013 5 cents per share

30 June 2014 5 cents per share

30 June 2015 5 cents per share

30 June 2016 5 cents per share

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended					
			Human Resources		Marketing		Finance & Audit	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Barbara Joy Hammond	12	12	1	1	-	-	1	1
Ernest Albert Hiddlestone	12	10	-	-	9	8	-	-
Michael Frank Kidd	12	11	-	-	-	-	1	1
Laurence Ian Galloway	12	6	1	1	3	3	-	-
Christine Irene Thompson	12	10	-	-	9	7	-	-
Stephen Donald Lee	12	11	1	1	-	-	1	1
Fiona Jane Bell (Appointed 26 April 2016)	3	2	-	-	2	1	-	-
Graeme Watson (Resigned 11 May 2016)	10	3	-	-	-	-	-	-
Terry Elizabeth Clark (Resigned 28 January 2016)	6	5	-	-	3	3	-	-

Directors' report (continued)

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the finance & 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.

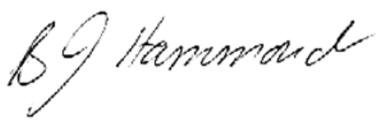
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the finance & 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 Pinjarra on 9 September 2016.



Barbara Joy Hammond,
Chair

Auditor's independence declaration

Partners in success

Chartered Accountants

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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 27 September 2016

David Hutchings
Lead Auditor

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TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Financial statements

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

	Notes	2016 $	2015 $
Revenue from ordinary activities	4	1,051,008	917,746
Employee benefits expense		(519,339)	(504,623)
Charitable donations, sponsorship, advertising and promotion		(65,117)	(56,500)
Occupancy and associated costs		(111,917)	(83,647)
Systems costs		(35,136)	(26,703)
Depreciation and amortisation expense	5	(18,178)	(16,825)
Finance costs	5	(6,372)	(635)
General administration expenses		(141,009)	(145,454)
Profit before income tax expense		**153,940**	**83,359**
Income tax expense	6	(43,096)	(25,441)
Profit from continuing operations		**110,844**	**57,918**
Profit from discontinued operations		**-**	**60,882**
Total comprehensive income for the year		**110,844**	**118,800**
Earnings per share for loss attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	23	28.12	30.14

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2016

	Notes	2016 $	2015 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	638,029	384,038
Trade and other receivables	8	91,660	93,007
Total Current Assets		**729,689**	**477,045**
Non-Current Assets			
Property, plant and equipment	9	327,161	31,061
Intangible assets	10	4,167	14,167
Deferred tax asset	11	-	8,217
Total Non-Current Assets		**331,328**	**53,445**
Total Assets		**1,061,017**	**530,490**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	356,408	53,729
Current tax liabilities	11	16,800	41,873
Borrowings	13	30,452	6,139
Provisions	14	15,937	16,227
Total Current Liabilities		**419,597**	**117,968**
Non-Current Liabilities			
Borrowings	13	149,275	13,035
Provisions	14	722	7,757
Deferred tax liabilities	11	8,557	-
Total Non-Current Liabilities		**158,554**	**20,792**
Total Liabilities		**578,151**	**138,760**
Net Assets		**482,866**	**391,730**
Equity			
Issued capital	15	385,805	385,805
Retained earnings	16	97,061	5,925
Total Equity		**482,866**	**391,730**

The accompanying notes form part of these financial statements.

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

	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2014	**385,805**	**(93,167)**	**292,638**
Total comprehensive income for the year	**-**	**118,800**	**118,800**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(19,708)	(19,708)
Balance at 30 June 2015	**385,805**	**5,925**	**391,730**
Balance at 1 July 2015	**385,805**	**5,925**	**391,730**
Total comprehensive income for the year	**-**	**110,844**	**110,844**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(19,708)	(19,708)
Balance at 30 June 2016	**385,805**	**97,061**	**482,866**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		1,152,921	1,197,662
Payments to suppliers and employees		(987,159)	(1,025,892)
Interest received		2,823	3,141
Interest paid		(6,372)	(973)
Income taxes paid		(51,395)	(30,590)
Net cash provided by operating activities	**17**	**110,818**	**143,348**
Cash flows from investing activities			
Proceeds for property, plant and equipment		3,409	-
Payments for property, plant and equipment		(1,081)	(721)
Net cash provided by/(used in) investing activities		**2,328**	**(721)**
Cash flows from financing activities			
Proceeds from borrowings		169,593	-
Repayment of borrowings		(9,040)	(16,539)
Dividends paid		(19,708)	(19,708)
Net cash provided by/(used in) financing activities		**140,845**	**(36,247)**
Net increase in cash held		**253,991**	**106,380**
Cash and cash equivalents at the beginning of the financial year		384,038	277,658
Cash and cash equivalents at the end of the financial year	**7(a)**	**638,029**	**384,038**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

The following amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2015, and are therefore relevant for the current financial year.

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.
- AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.

None of the amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2015, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

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

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

	Effective for annual reporting periods beginning on or after
AASB 9 Financial Instruments, and the relevant amending standards.	1 January 2018
AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2018
AASB 16 Leases	1 January 2019
AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.	1 January 2016
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.	1 January 2016
AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.	1 January 2016
AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.	1 January 2016
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2018
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.	1 January 2016
AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016
AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses.	1 January 2017
AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107.	1 January 2017

The company has not elected to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2015. Therefore the abovementioned accounting standards or interpretations have no impact on amounts recognised in the current period or any prior period.

Economic dependency - Bendigo and Adelaide Bank Limited

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

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.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**® branch franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- advice and assistance in relation to the design, layout and fit out of the **Community Bank**® branch
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

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

Revenue calculation

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

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

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

Interest paid by customers on loans less interest paid to customers on deposits

plus any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,

minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

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

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

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

Commission

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

Fee income

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

Ability to change financial return

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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

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

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

Monitoring and changing financial return

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

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

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

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

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

c) Income tax

Current tax

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

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.

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

Note 1. Summary of significant accounting policies (continued)

g) Property, plant and equipment

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

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

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

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

Impairment

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

l) Leases

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

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

m) Provisions

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

Note 1. Summary of significant accounting policies (continued)

m) Provisions (continued)

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

Note 2. Financial risk management (continued)

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Taxation (continued)

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

Notes to the financial statements (continued)

	2016 $	2015 $

Note 4. Revenue from ordinary activities

Operating activities:		
- services commissions	1,018,974	907,913
- other revenue	16,223	4,587
Total revenue from operating activities	**1,035,197**	**912,500**
Non-operating activities:		
- interest received	2,879	3,127
- rental revenue	9,523	1,354
- profit on sale of non-current assets	3,409	765
Total revenue from non-operating activities	**15,811**	**5,246**
Total revenues from ordinary activities	**1,051,008**	**917,746**

Note 5. Expenses

Depreciation of non-current assets:		
- leasehold improvements	1,291	-
- plant and equipment	3,094	4,615
- motor vehicle	3,793	2,210
Amortisation of non-current assets:		
- franchise agreement	10,000	10,000
	18,178	**16,825**
Finance costs:		
- interest paid	**6,372**	**635**
Bad debts	**592**	**1,285**
Loss on disposal of assets	**6,549**	**-**

Note 6. Income tax expense

The components of tax expense comprise:		
- Current tax	35,640	26,042
- Movement in deferred tax	17,085	(1,034)
- Adjustment to deferred tax to reflect change to tax rate in future periods	(311)	433
- Under/over provision in respect to prior years	(9,318)	-
	43,096	**25,441**

	2016 $	2015 $
Note 6. Income tax expense (continued)		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	153,940	83,359
Prima facie tax on profit from ordinary activities at 28.5 (2015: 30%)	43,873	25,008
Add tax effect of:		
- non-deductible expenses	1,867	-
- timing difference expenses	(9,128)	1,034
- other deductible expenses	(972)	-
	35,640	**26,042**
Movement in deferred tax	17,085	(1,034)
Adjustment to deferred tax to reflect change of tax rate in future periods	(311)	433
Under/over provision in respect to prior years	(9,318)	-
	43,096	**25,441**

Note 7. Cash and cash equivalents

Cash at bank and on hand	591,699	338,902
Term deposits	46,330	45,136
	638,029	**384,038**
Note 7.(a) Reconciliation to cash flow statement		
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:		
Cash at bank and on hand	591,699	338,902
Term deposits	46,330	45,136
	638,029	**384,038**

Note 8. Trade and other receivables

Trade receivables	80,701	81,687
Prepayments	7,837	8,254
Other receivables and accruals	3,122	3,066
	91,660	**93,007**

	2016 $	2015 $

Note 9. Property, plant and equipment

	2016 $	2015 $
Leasehold improvements		
At cost	248,453	-
Less accumulated depreciation	(1,291)	-
	247,162	**-**
Plant and equipment		
At cost	82,879	187,456
Less accumulated depreciation	(17,094)	(174,402)
	65,785	**13,054**
Motor vehicles		
At cost	20,217	45,990
Less accumulated depreciation	(6,003)	(27,983)
	14,214	**18,007**
Total written down amount	**327,161**	**31,061**
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	-	-
Additions	248,453	-
Disposals	-	-
Less: depreciation expense	(1,291)	-
Carrying amount at end	**247,162**	**-**
Plant and equipment		
Carrying amount at beginning	13,054	16,948
Additions	62,374	3,201
Disposals	(6,549)	(2,480)
Less: depreciation expense	(3,094)	(4,615)
Carrying amount at end	**65,785**	**13,054**
Motor vehicles		
Carrying amount at beginning	18,007	-
Additions	-	20,217
Disposals	-	-
Less: depreciation expense	(3,793)	(2,210)
Carrying amount at end	**14,214**	**18,007**
Total written down amount	**327,161**	**31,061**

	Note	2016 $	2015 $

Note 10. Intangible assets

	Note	2016 $	2015 $
Franchise fee			
At cost		150,000	150,000
Less: accumulated amortisation		(145,833)	(135,833)
		4,167	**14,167**
Total written down amount		**4,167**	**14,167**

Note 11. Tax

	Note	2016 $	2015 $
Current:			
Income tax payable		**16,800**	**41,873**
Non-Current:			
Deferred tax assets			
- accruals		798	1,400
- employee provisions		5,121	6,836
		5,919	**8,236**
Deferred tax liability			
- accruals		34	19
- property, plant and equipment		14,442	-
		14,476	**19**
Net deferred tax asset/(liability)		**(8,557)**	**8,217**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income		**16,774**	**(601)**

Note 12. Trade and other payables

	Note	2016 $	2015 $
Trade creditors		341,831	14,741
Other creditors and accruals		14,577	38,988
		356,408	**53,729**

Note 13. Borrowings

	Note	2016 $	2015 $
Current:			
Chattel mortgage	18	6,139	6,139
Bank loans		24,313	-
		30,452	**6,139**

	Note	2016 $	2015 $
Note 13. Borrowings (continued)			
Non-Current:			
Chattel mortgage	18	7,771	13,035
Bank loans		141,504	-
		149,275	**13,035**

The Chattel mortgage is repayable monthly with the final instalment due in November 2018. Interest is recognised at an annual rate of 5.22%. The mortgage is secured by a fixed and floating charge over the company's assets.

In December 2015 a bank loan was taken out for $120,000. Then in April 2016 a further $49,593 was withdrawn. The bank loan is repayable monthly. Interest is recognised at an average rate of 7.99%. The loan is secured by a fixed and floating charge over the company's assets.

	2016 $	2015 $
Note 14. Provisions		
Current:		
Provision for annual leave	**15,937**	**16,227**
Non-Current:		
Provision for long service leave	**722**	**7,757**
Note 15. Contributed equity		
394,160 ordinary shares fully paid (2015: 394,160)	394,160	394,160
Less: equity raising expenses	(8,355)	(8,355)
	385,805	**385,805**

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.

Note 15. Contributed equity (continued)

Rights attached to shares (continued)

(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 243. As at the date of this report, the company had 257 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.

	2016 $	2015 $

Note 16. Retained earnings

	2016 $	2015 $
Balance at the beginning of the financial year	5,925	(93,167)
Net profit from ordinary activities after income tax	110,844	118,800
Dividends paid or provided for	(19,708)	(19,708)
Balance at the end of the financial year	**97,061**	**5,925**

Note 17. Statement of cash flows

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

	2016 $	2015 $
Profit from ordinary activities after income tax	110,844	118,800
Non cash items:		
- depreciation	8,178	6,825
- amortisation	10,000	10,000
- profit made on disposal of asset	(3,409)	-
- loss made on disposal of asset	6,549	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	1,346	(13,521)
- (increase)/decrease in other assets	8,217	(601)
- increase/(decrease) in payables	(7,066)	4,172
- increase/(decrease) in provisions	(7,325)	(3,871)
- increase/(decrease) in current tax liabilities	(16,516)	21,544
Net cash flows provided by operating activities	**110,818**	**143,348**

Note 18. Leases

Finance lease commitments

	2016 $	2015 $
Payable - minimum lease payments:		
- not later than 12 months	6,139	6,139
- between 12 months and 5 years	8,697	14,837
- greater than 5 years	-	-
Minimum lease payments	**14,836**	**20,976**
Less future finance charges	(926)	(1,802)
Present value of minimum lease payments	**13,910**	**19,174**

The finance lease of motor vehicle, which commenced in November 2014, is a 4-year lease. Interest is recognised at an average rate of 5.22%.

Note 18. Leases (continued)

	2016 $	2015 $
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	84,210	75,676
- between 12 months and 5 years	188,204	223,744
- greater than 5 years	130,000	162,500
	402,414	**461,920**

The rental lease agreement on the Pinjarra branch (7C George St) premises is a non-cancellable lease with a five year term, with rent payable monthly in advance. The current lease expires on 23 October 2018.

The rental lease agreement on the 35 George St premises is a non-cancellable lease with a ten year term, with rent payable monthly in advance. The current lease expires on 1 June 2025.

The rental lease agreement on the former Waroona sub branch premises is a non-cancellable lease with a three year term, with rent payable monthly in advance. The current lease expires on 1 February 2018.

Note 19. Auditor's remuneration

	2016 $	2015 $
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	5,250	5,050
- share registry services	3,719	3,704
- non audit services	3,180	4,823
	12,149	**13,577**

Note 20. Director and related party disclosures

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

Barbara Joy Hammond
Ernest Albert Hiddlestone
Michael Frank Kidd
Laurence Ian Galloway
Christine Irene Thompson
Stephen Donald Lee
Fiona Jane Bell (Appointed 26 April 2016)
Graeme Watson (Resigned 11 May 2016)
Terry Elizabeth Clark (Resigned 28 January 2016)

Note 20. Director and related party disclosures (continued)

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

	2016	2015
Directors' shareholdings		
Barbara Joy Hammond	-	-
Ernest Albert Hiddlestone	300	300
Michael Frank Kidd	-	-
Laurence Ian Galloway	2,000	2,000
Christine Irene Thompson	-	-
Stephen Donald Lee	-	-
Fiona Jane Bell (Appointed 26 April 2016)	-	-
Graeme Watson (Resigned 11 May 2016)	-	-
Terry Elizabeth Clark (Resigned 28 January 2016)	-	-

There was no movement in directors shareholdings during the year.

Note 21. Dividends paid or provided

	2016 $	2015 $
a. Dividends paid during the year		
Current year dividend		
100% (2015: 100%) franked dividend - 5 cents (2015: 5 cents) per share	**19,708**	**19,708**
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	76,663	33,715
- franking credits that will arise from payment of income tax as at the end of the financial year	16,800	41,873
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	**93,463**	**75,588**
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	**93,463**	**75,588**

Note 22. Key Management Personnel 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.

	2016 $	2015 $
Note 23. Earnings per share		
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	110,844	118,800

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	394,160	394,160

Note 24. 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 25. 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 26. Segment reporting

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

Note 27. 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

35 George Street
Pinjarra WA 6208

Principal Place of Business

35 George Street
Pinjarra WA 6208

Note 28. Financial instruments

Financial instrument composition and maturity analysis

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

	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 %**	**2015 %**
Financial assets												
Cash and cash equivalents	591,499	338,702	46,330	45,136	-	-	-	-	200	200	0.55	0.88
Receivables	-	-	-	-	-	-	-	-	80,701	81,687	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	30,452	6,139	149,275	13,035	-	-	-	-	6.58	5.22
Payables	-	-	-	-	-	-	-	-	341,831	14,741	N/A	N/A

Net fair values

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

Credit risk

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

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

Interest rate risk

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

Sensitivity analysis

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

Note 28. 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%	4,581	3,647
Decrease in interest rate by 1%	4,581	3,647
Change in equity		
Increase in interest rate by 1%	4,581	3,647
Decrease in interest rate by 1%	4,581	3,647

Directors' declaration

In accordance with a resolution of the directors of Pinjarra Community Financial Services Limited, we state that:

In the opinion of the directors:

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

- (i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
- (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

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

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

B J Hammond

Barbara Joy Hammond,
Chair

Signed on the 9th of September 2016.

Partners in success

Chartered Accountants

Independent auditor's report to the members of Pinjarra Community Financial Services Limited

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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

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Independence

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

Auditor's opinion on the financial report

In our opinion:

1. The financial report of Pinjarra Community Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2016 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 27 September 2016

David Hutchings
Lead Auditor

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