



# Annual Report 2015

Port Lincoln Community  
Enterprises Limited

ABN 29 127 996 187

Port Lincoln **Community Bank**<sup>®</sup> Branch

# Contents

---

<b>Chairman's report</b>	<b>2</b>
<b>Manager's report</b>	<b>3</b>
<b>Bendigo and Adelaide Bank report</b>	<b>4</b>
<b>Directors' report</b>	<b>6</b>
<b>Auditor's independence declaration</b>	<b>10</b>
<b>Financial statements</b>	<b>11</b>
<b>Notes to the financial statements</b>	<b>15</b>
<b>Directors' declaration</b>	<b>38</b>
<b>Independent audit report</b>	<b>39</b>

# Chairman's report

---

For year ending 30 June 2015

Another record year of impressive growth and profitability is great news for our shareholders and the Port Lincoln community. Congratulations to Manager Phil Channon, Business Banker Chris Miller and their staff for another outstanding performance. The attention to personalised service and the focus on building strong relationships has continued to be a winning formula.

As the business has grown so quickly, we have needed to increase our staff numbers and have outgrown our facilities yet again. We are currently in negotiations with our landlords regarding expansion options and should have more details available by the Annual General Meeting (AGM) in November.

When looking at our financial position, if we adjust the net profit before shareholder and community contributions, we have made well over a half a million dollars in this last 12 months. Our cash on hand plus the money we have in the Community Enterprise Foundation™ is over \$1 million.

Some of our cash reserves such as the \$250,000 contribution to the Swimming Facility upgrade and the \$200,000 for the Community Grants round in November are earmarked for future expenditure.

It is our intention to keep a healthy cash buffer because we will have costs associated with expansion of the premises probably within the next 12 months. We will also incur a profit downgrade due to changing profit share arrangements with Bendigo Bank as from July 2016. The full impact of the new arrangements will be modelled over the next 12 months to give us a more accurate picture of the effect on our income. In the interim we are budgeting on a drop in net income for future years. Fortunately we are coming into this situation from a position of strength with a strongly growing business. Despite this readjustment I believe that we will still continue to have a very powerful tool with the **Community Bank**® model at our disposal to generate wealth and financial independence for our citizens.

We are very pleased to announce a 9% fully franked dividend for shareholders for the 2014/15 financial year, payable in the first week of November 2015.

As a Board we have made a conscious decision this year to bring in new Directors and expand our committee structures. New people bring fresh ideas and enthusiasm and by sharing the “ownership” of our community company we strengthen its base and open up new networks.

During the year we have welcomed Sandra Lukin and Diana Smith as new Board members and Matt Noonan and Di Baker-Tagg as committee members. The skills, experience and enthusiasm that they bring are really valuable for our future.

We must thank all Directors and committee members for their voluntary contributions, enthusiasm, expertise and goodwill which have played an important role in the success of our company.

Thank you to all the customers and community organisations that have joined our ever growing happy family. The relationships established with you and your networks are the key to our success. Don't forget to keep spreading the word because there are still plenty out there that don't get it yet.



**Pat Callaghan**  
Chairman

# Manager's report

---

For year ending 30 June 2015

It is again with a great deal of pride that I submit to you an Annual Report for the financial year ended 30 June 2015.

We find ourselves in an environment of record low interest rates that show little sign of increasing, a crisis in Greece that threatens to destabilise European banks and a share market that has become nervous with the position. Thankfully our local situation and economy has been far more stable.

Our total funds under management increased from \$161 million to \$185 million as at 30 June 2015 representing an increase of \$24 million or 14.8%. We have been able to consistently grow the business by between 15% - 20% each year. Our team are very proud of that result.

In September last year our branch was awarded the No. 1 performing branch in SA and NT of which there are 43 corporate and **Community Bank**<sup>®</sup> branches. This was a fantastic outcome reflecting the hard work and dedication of our whole team. We attended the award celebrations at Bendigo Bank's new Corporate Head Office in Adelaide and I can assure you we did Port Lincoln proud!

I would take this opportunity to again thank our customers, you are the means of our success and we are mindful of it. The number of our existing customers that refer us to their family, friends and associates continue to grow and we really appreciate it, after all there can be no better recommendation than that of an existing customer. Please keep up your great work.

Our staff have been stable over the preceding 12 months. Jon Thompson commenced as a new Trainee and is completing his mandatory training. Our Customer Service Officer team of Sally, Elke, Natasha and Jon take pride in keeping your wait times to a minimum. Brea is commencing to learn extra skills assisting Gail, Danielle and I with documentation. Danielle has completed significant loan training and is now handling many of the personal loans and home loans, leaving Gail and I to handle the larger applications. Prue remains as the "face" of our branch and has a focus on new account procedures.

In my view, our staff represent one of the greatest teams I have worked with. They will continue to provide the best possible service to you our valued customers.

Our contributions back to the community are really starting to gather momentum. In this financial year alone we will have a Grants Program with up to \$200,000 available and make our contribution to the Leisure Centre Development of \$250,000. These along with many smaller sponsorships, grants and donations will see our total support since opening exceed \$1.2 million. Most recently we provided \$11,000 to the Port Lincoln Umpires Association for new uniforms.

I would like to thank the Board for the continued support of my management. Whatever resources I have needed the Board have been forthcoming, always looking to seek improvement within the Business and adding value and service to our customers.

We look forward to further growth, which in turn will enable us to continue to support our fantastic community.

Thank you for your continued support.



**Phil Channon**  
**Manager**

# Bendigo and Adelaide Bank report

---

For year ending 30 June 2015

In the 2015 financial year, the **Community Bank**<sup>®</sup> network opened its 310th branch and community contributions since the model's inception exceed \$130 million. Both of these achievements could not have been achieved without your ongoing support as a shareholder, customer and advocate of what is a truly unique way of banking for the benefit of your local community.

Local communities continue to embrace the **Community Bank**<sup>®</sup> model, a banking movement founded on the simple belief that successful customers and successful communities create a successful bank.

Seventeen years later communities are still approaching us and the model is as robust and relevant as ever, however a review of what we were doing, why and how we could do it better was timely.

During an 18 month period the Bank, in partnership with the **Community Bank**<sup>®</sup> network, undertook a comprehensive review of the **Community Bank**<sup>®</sup> model. Project Horizon was the largest single engagement process ever undertaken by our organisation.

As a result, a focus for the next 18 months will be the implementation of 64 recommendations. What was overwhelmingly obvious is that our **Community Bank**<sup>®</sup> network, and our Bank, care deeply about what has been developed and in what the future holds for the network.

In the early days of **Community Bank**<sup>®</sup> development, the **Community Bank**<sup>®</sup> model was seen as a way to restore branch banking services to rural towns, regional cities and metropolitan suburbs after the last of the banks closed their doors.

Today, although the focus is still about providing banking services, there is perhaps an even greater interest in the way in which the model creates a successful community enterprise used to effectively, and sustainably, build community capacity.

In October 2014, we welcomed **Community Bank**<sup>®</sup> branches in Bacchus Marsh, Kilmore, Maffra, Kwinana and Nubeena. All of these branches join a strong and mature banking network where valued partnerships enhance banking services, taking the profits their banking business generates and reinvesting that funding into initiatives to ultimately strengthen their community.

Following consultation with local residents and business owners responding to other banks reducing their branch presence, Aldinga Beach **Community Bank**<sup>®</sup> Branch opened the Willunga Customer Service Centre in April 2015, providing a full banking service to local people five days a week.

The **Community Bank**<sup>®</sup> model is a great example of shared value and was centre stage at an international Shared Value conference in the United States earlier this year.

Funding generated by **Community Bank**<sup>®</sup> branches support projects that make a difference to a community. But no matter how big or small the place people call home, the **Community Bank**<sup>®</sup> network recognises that when they act as one, powered by the good that money can bring, bigger things can happen for local towns, regions and states.

In WA, a \$125,000 commitment to Ronald McDonald House by Collie & Districts **Community Bank**<sup>®</sup> Branch resulted in a further \$125,000 from 21 branches (both community and company owned) in the state.

In QLD, Longreach farming families are now feeding their stock thanks to a dedicated Rotary Club and financial contributions from 16 **Community Bank**<sup>®</sup> (and company) branches.

Across regional and rural NSW, young people are today better drivers thanks to a driver education program supported by **Community Bank**<sup>®</sup> branches and across Australia, 58 young people headed off to their first year of university with the help of a **Community Bank**<sup>®</sup> scholarship.



## Bendigo and Adelaide Bank report (continued)

---

Interest in the **Community Bank**<sup>®</sup> model remains strong, with 20 **Community Bank**<sup>®</sup> sites currently in development and a further six **Community Bank**<sup>®</sup> branches expected to open nationally during the next 12 months.

The network's steady expansion demonstrates the strength and relevance of a banking model where the desire to support the financial needs of customers is equalled by the desire to support the community with the good that money can bring.

By the end of the financial year 2014/15 the **Community Bank**<sup>®</sup> network achieved the following:

- Returns to community – over \$130 million since the model's inception
- **Community Bank**<sup>®</sup> branches – 310
- **Community Bank**<sup>®</sup> branch staff – more than 1,500
- **Community Bank**<sup>®</sup> company Directors – 1,946
- Banking business – \$28.79 billion
- Customers – 699,000
- Shareholders – 74,393
- Dividends paid to shareholders since inception – \$38.6 million

The communities we partner with also have access to the Bank's extensive range of other community building solutions including Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco<sup>®</sup> Australia (telecommunications solution), tertiary education scholarships and community enterprises that provide **Community Bank**<sup>®</sup> companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank**<sup>®</sup> company has a committed and strong partner and over the last financial year our company has continued its solid performance. Our Bank continues to be rated at least "A-" by Standard & Poor's, Moody's and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

Our **Community Bank**<sup>®</sup> partners played an integral role in the Bank's involvement in the Financial Systems Inquiry, lobbying their local Federal Government representatives and calling for a level playing field.

Recent APRA announcements regarding changes to risk weights on mortgages will positively impact our Bank – providing customers with a level playing field by giving them more choice from a wider variety of financial providers.

Thanks to the efforts of our people, our peers and **Community Bank**<sup>®</sup> partners, we're starting to see the benefits. In continuing to take a collaborative approach, we act as one network driving positive outcomes for all Australians.

As **Community Bank**<sup>®</sup> company shareholders you are part of a unique banking movement.

The model offers an alternative way to think about banking and the role banks play in modern society, and because of your support there really is no limit to what can be achieved for local people and the communities in which you live.

Thank you for your ongoing support of your local **Community Bank**<sup>®</sup> branch.



**Robert Musgrove**  
**Executive Community Engagement**

# Directors' report

---

For the financial year ended 30 June 2015

Your Directors present their report of the company for the financial year ended 30 June 2015.

## Directors

The following persons were Directors of Port Lincoln Community Enterprises Limited during or since the end of the financial year up to the date of this report:

Name and position held	Qualifications	Experience and other Directorships
<b>Pat Callaghan</b> Appointed 15 October 2007 Chairman	Retired Dentist	Past Chairman of state and regional dental groups. Life member of Port Lincoln Apex Club
<b>Terri Christensen</b> Appointed 15 October 2007 Company Secretary	Retired Manager	Bachelor of Arts in Business Administration. Experience in marketing & communications management.
<b>Anne-Marie Hammond</b> Appointed 15 October 2007 Director	Career Employment Manager	Employed by a non-profit organisation as a field Officer. Experienced the benefits of the Cummins Community Bank.
<b>Michael Munro</b> Appointed 28 July 2011 Director	Business Proprietor	Experience managing a diverse range of business's. Member of local sporting, recreational and service clubs.
<b>Steven James</b> Appointed 15 October 2007 Treasurer	Accountant	Board member of several local community organisations. Over 25 years accounting experience.
<b>Angela Cordon</b> Appointed 28 July 2011 Director	Civil Celebrant JP	Involved in a wide range of community networks. Extensive experience as Justice of the Peace.
<b>Jane Kidney</b> Appointed 25 November 2013 Resigned 29 September 2014 Director	Business Proprietor	Co-owner and Manager of own business. Involved in other community organisations.
<b>Cameron Foster</b> Appointed 24 March 2014 Director	Financial Planner	Involved in other community organisations. Has 6 years experience in financial planning.
<b>Sandra Lukin</b> Appointed 12 January 2015 Director	Business Proprietor	Experience managing a diverse range of business's. Member of local sporting, recreational and service clubs.

# Directors' report (continued)

## Directors (continued)

Name and position held	Qualifications	Experience and other Directorships
<b>Diana Smith</b> Appointed 12 January 2015 Director	Training Educator Project Management	Experience in education, including international education and small business management. Active involvement with many local organisations.

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

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

## Principal activities

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

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

## Review of operations

The profit of the company for the financial year after provision for income tax was \$56,085 (2014 profit: \$75,180), which is a 25% decrease as compared with the previous year.

The net assets of the company have decreased to \$739,608 (2014: \$764,524). The decrease is largely due to recognition of long service leave and increase in dividend paid.

## Dividends

Dividends paid or declared since the start of the financial year.

	Year ended 30 June 2015	
	Cents Per Share	\$
Dividends paid in the year final dividend:	9	81,001

## Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

## Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

## Events subsequent to the end of the reporting period

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



# Directors' report (continued)

---

## Remuneration report

### Remuneration policy

During the year Terri Christensen received \$1,000 (2014: \$1,200) for performing secretarial duties to the company.

RSM Bird Cameron of which Steven James is a partner has received \$22,550 (2014: \$19,915) in respect of accounting and share registry fees from the company.

### Remuneration benefits and payments

Other than detailed below, 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. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

## Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability incurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

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.

## Directors' meetings

The number of Directors' meetings held during the year was 12. Attendances by each Director during the year were as follows:

Director	Board Meetings #	Audit Committee Meetings #
Pat Callaghan	10 (12)	1 (2)
Terri Christensen	10 (12)	N/A
Anne-Marie Hammond	10 (12)	N/A
Michael Munro	10 (12)	1 (1)
Steven James	10 (12)	2 (2)
Angela Cordon	7 (12)	N/A
Jane Kidney	3 (3)	N/A
Cameron Foster	11 (12)	2 (2)
Sandra Lukin	5 (6)	N/A
Diana Smith	5 (6)	N/A

# The first number is the meetings attended while in brackets is the number of meetings eligible to attend.  
N/A - not a member of that Committee.

# Directors' report (continued)

---

## **Likely developments**

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

## **Environmental regulations**

The company is not subject to any significant environmental regulation.

## **Proceedings on behalf of 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.

## **Company Secretary**

Terri Christensen has been the Company Secretary of Port Lincoln Community Enterprises Limited since date of incorporation in 2007.

Terri has a Bachelor of Arts in Business.

## **Auditor independence declaration**

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 10 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Port Lincoln on 17 September 2015.



**Pat Callaghan**  
**Director**

# Auditor's independence declaration

---



Chartered Accountants

Level 2, 10-16 Forest Street  
Bendigo, VICTORIA  
PO Box 30, Bendigo VICTORIA 3552

Ph: (03) 5445 4200  
Fax: (03) 5444 4344  
rsd@rsdadvisors.com.au  
www.rsdadvisors.com.au

## **Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the Directors of Port Lincoln Community Enterprises Limited**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015 there has 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.

**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants

A handwritten signature in black ink, appearing to read 'P.P. Delahunty', written over a light blue horizontal line.

**P.P Delahunty**  
**Partner**  
**Bendigo**  
**Dated at Bendigo, 17 September 2015**

# Financial statements

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

	Notes	2015 \$	2014 \$
Revenue	2	1,426,351	1,298,270
Employee benefits expense	3	(582,354)	(441,257)
Depreciation and amortisation expense	3	(56,624)	(52,928)
Finance costs	3	(3,401)	(2,257)
Bad and doubtful debts expense	3	(805)	(894)
Rental expense		(45,465)	(45,465)
Other expenses	3	(254,046)	(239,752)
<b>Operating profit before charitable donations &amp; sponsorships</b>		<b>483,656</b>	<b>515,717</b>
Charitable donations and sponsorships		(404,384)	(408,174)
<b>Profit before income tax</b>		<b>79,272</b>	<b>107,543</b>
Tax expense	4	23,187	32,363
<b>Profit for the year</b>		<b>56,085</b>	<b>75,180</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>56,085</b>	<b>75,180</b>
Total comprehensive income attributable to:			
Members of the company		-	-
<b>Total</b>		<b>56,085</b>	<b>75,180</b>
<b>Earnings per share (cents per share)</b>			
- basic earnings per share	23	6.23	8.35

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Financial Position as at 30 June 2015

	Notes	2015 \$	2014 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	148,814	174,007
Investments and other financial assets	7	407,600	394,317
Trade and other receivables	8	147,199	132,506
<b>Total current assets</b>		<b>703,613</b>	<b>700,830</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	188,784	177,165
Deferred tax assets	14	22,227	10,951
Intangible assets	10	6,508	8,490
<b>Total non-current assets</b>		<b>217,519</b>	<b>196,606</b>
<b>Total assets</b>		<b>921,132</b>	<b>897,436</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	54,531	35,208
Loans and borrowings	12	15,542	14,141
Provisions	13	33,740	31,756
Deferred tax liability	14	3,497	3,596
Current tax liabilities	14	4,561	32,993
<b>Total current liabilities</b>		<b>111,871</b>	<b>117,694</b>
<b>Non current liabilities</b>			
Loans and borrowings	12	38,002	15,218
Provisions	13	31,651	-
<b>Total non current liabilities</b>		<b>69,653</b>	<b>15,218</b>
<b>Total liabilities</b>		<b>181,524</b>	<b>132,912</b>
<b>Net assets</b>		<b>739,608</b>	<b>764,524</b>
<b>Equity</b>			
Issued capital	15	900,008	900,008
Accumulated losses	16	(160,400)	(135,484)
<b>Total equity</b>		<b>739,608</b>	<b>764,524</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

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

	Note	Issued capital \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2013</b>		<b>900,008</b>	<b>(138,663)</b>	<b>761,345</b>
Profit for the year		-	75,180	75,180
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>75,180</b>	<b>75,180</b>
<b>Transactions with owners, in their capacity as owners</b>				
Dividends paid or provided	25	-	(72,001)	(72,001)
<b>Balance at 30 June 2014</b>		<b>900,008</b>	<b>(135,484)</b>	<b>764,524</b>
<b>Balance at 1 July 2014</b>		<b>900,008</b>	<b>(135,484)</b>	<b>764,524</b>
Profit for the year		-	56,085	56,085
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>56,085</b>	<b>56,085</b>
<b>Transactions with owners, in their capacity as owners</b>				
Dividends paid or provided	25	-	(81,001)	(81,001)
<b>Balance at 30 June 2015</b>		<b>900,008</b>	<b>(160,400)</b>	<b>739,608</b>

The accompanying notes form part of these financial statements.



# Financial statements (continued)

## Statement of Cash Flows for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,395,966	1,267,390
Payments to suppliers and employees		(1,230,853)	(1,176,485)
Interest paid		(3,401)	(2,256)
Interest received		15,054	17,240
Income tax paid		(63,000)	(12,220)
Income tax refund		7	-
<b>Net cash provided by operating activities</b>	<b>17</b>	<b>113,773</b>	<b>93,669</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant & equipment		(74,159)	(21,081)
Proceeds from sale of property, plant & equipment		9,090	-
Borrowing costs		(398)	-
Short-term bank deposits		(13,283)	(15,074)
<b>Net cash flows used in investing activities</b>		<b>(78,750)</b>	<b>(36,155)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(39,231)	(15,922)
Proceeds from borrowings		60,016	-
Dividends paid		(81,001)	(72,001)
<b>Net cash used in financing activities</b>		<b>(60,216)</b>	<b>(87,923)</b>
<b>Net decrease in cash held</b>		<b>(25,193)</b>	<b>(30,409)</b>
Cash and cash equivalents at beginning of financial year		174,007	204,416
<b>Cash and cash equivalents at end of financial year</b>	<b>6</b>	<b>148,814</b>	<b>174,007</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

---

For year ended 30 June 2015

These financial statements and notes represent those of Port Lincoln Community Enterprises Limited.

Port Lincoln Community Enterprises Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 17 September 2015.

## Note 1. Summary of significant accounting policies

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

#### Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**<sup>®</sup> branches.

The branches operate 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**<sup>®</sup> branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**<sup>®</sup> branches 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.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**<sup>®</sup> 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**<sup>®</sup> branch;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;

# Notes to the financial statements (continued)

---

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

### **a) Basis of preparation (continued)**

#### Economic dependency (continued)

- 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; and
- Sale techniques and proper customer relations.

### **(b) Income tax**

The income tax expense / (income) for the year comprises current income tax expense / (income) and deferred tax expense / (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/ (assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

### **(c) Fair value of assets and liabilities**

The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

# Notes to the financial statements (continued)

---

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

### **(d) Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

#### Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

#### Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

<b>Class of asset</b>	<b>Depreciation rate</b>
Leasehold improvements	10%
Plant & equipment	20%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

### **(e) 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 recognising 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.

# Notes to the financial statements (continued)

---

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

### **(e) Leases (continued)**

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

### **(f) Impairment of assets**

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

### **(g) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

### **(h) Employee benefits**

#### Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The company's obligation for short-term employee benefits such as wages and salaries are recognised as part of current trade and other payables in the statement of financial position. The company's obligation for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

#### Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

# Notes to the financial statements (continued)

---

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

### **(h) Employee benefits (continued)**

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

### **(i) Intangible assets and franchise fees**

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in the Statement of Profit or Loss and Other Comprehensive Income.

### **(j) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

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.

### **(k) Revenue and other income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

Interest, dividend and fee revenue is recognised when earned.

All revenue is stated net of the amount of goods and services tax (GST).

### **(l) Trade and other receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

### **(m) Trade and other payables**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

### **(n) New and amended accounting policies adopted by the company**

There are no new and amended accounting policies that have been adopted by the company this financial year.

### **(o) New accounting standards for application in future periods**

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.



# Notes to the financial statements (continued)

---

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

### **(o) New accounting standards for application in future periods (continued)**

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

#### **(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018).**

This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the company on initial application include certain simplifications to the classification of financial assets.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

#### **(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2017).**

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

Although the Directors anticipate that the adoption of AASB 15 may have an impact on the company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

### **(p) Loans and borrowings**

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

### **(q) Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

# Notes to the financial statements (continued)

---

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

### **(q) 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.

### **(r) Share capital**

Issued and paid up capital is 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.

### **(s) Comparative figures**

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

### **(t) Critical accounting estimates and judgements**

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

#### Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

#### Employee benefits provision

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

#### Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

#### Impairment

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

# Notes to the financial statements (continued)

---

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

### **(u) Financial instruments**

#### Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

#### Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

#### (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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

#### (ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

#### Impairment

A financial asset (or group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency on interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial asset is reduced directly if no impairment amount was previously recognised in the allowance account.

# Notes to the financial statements (continued)

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

### (u) Financial instruments (continued)

#### Impairment (continued)

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

#### Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire 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. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Note 2. Revenue and other income</b>		
Revenue		
- services commissions	1,404,715	1,274,422
	<b>1,404,715</b>	<b>1,274,422</b>
Other revenue		
- interest received	14,570	16,714
- other revenue	7,066	7,134
	<b>21,636</b>	<b>23,848</b>
<b>Total revenue</b>	<b>1,426,351</b>	<b>1,298,270</b>

## Note 3. Expenses

### Employee benefits expense

- wages and salaries	438,006	351,131
- superannuation costs	67,129	52,078
- other costs	77,219	38,048
	<b>582,354</b>	<b>441,257</b>

### Depreciation of non-current assets:

- plant and equipment	54,244	50,621
-----------------------	--------	--------

### Amortisation of non-current assets:

- intangible assets	2,380	2,307
	<b>56,624</b>	<b>52,928</b>

## Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 3. Expenses (continued)		
Finance costs:		
- Interest paid	3,401	2,257
Bad debts	805	894
Other expenses		
- insurance	17,355	14,649
- printing and stationery	19,902	20,499
- IT equipment Lease	6,808	6,430
- IT running costs	8,755	8,755
- IT support costs	7,130	6,792
- electricity and gas	6,757	6,106
- repairs and maintenance	3,967	7,357
- rates	2,771	2,657
- telephone	9,005	8,542
- marketing	42,778	17,605
- other	128,818	140,360
	<b>254,046</b>	<b>239,752</b>

### Note 4. Tax expense

a. The components of tax expense/(income) comprise

- current tax expense/(income)	34,561	32,993
- deferred tax expense/(income) relating to the origination and reversal of temporary differences	(11,374)	(630)
- recoupment of prior year tax losses	-	-
- adjustments for under/(over)-provision of current income tax of previous years	-	-
	<b>23,187</b>	<b>32,363</b>

b. The prima facie tax on profit/(loss) from ordinary activities  
before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit/(loss) before income tax at 30% (2014: 30%)	23,187	32,263
---	--------	--------

## Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 4. Tax expense (continued)		
Add tax effect of:		
- Adjustments in respect of current income tax of previous year	-	-
- Utilisation of previously unrecognised carried forward tax losses	-	-
- Non-deductible expenses	-	100
<b>Current income tax expense</b>	<b>23,187</b>	<b>32,363</b>
<b>Income tax attributable to the entity</b>	<b>23,187</b>	<b>32,363</b>
The applicable weighted average effective tax rate is	29.25%	30.09%

The applicable income tax rate is the Australian Federal tax rate of 30% (2014: 30%) applicable to Australian resident companies.

### Note 5. Auditors' remuneration

Remuneration of the Auditor for:

<b>- Audit or review of the financial report</b>	<b>4,430</b>	<b>4,300</b>
--	--------------	--------------

### Note 6. Cash and cash equivalents

<b>Cash at bank and on hand</b>	<b>148,814</b>	<b>174,007</b>
---------------------------------	----------------	----------------

### Note 7. Investments and other financial assets

#### Current

<b>Short-term bank deposits</b>	<b>407,600</b>	<b>394,317</b>
---------------------------------	----------------	----------------

The effective interest rate on short-term bank deposits was 3.6% (2014: 3.8%); these deposits have an average maturity of 365 days.

### Note 8. Trade and other receivables

#### Current

Trade receivables	135,540	120,520
Other assets	2,721	3,206
Prepaid expenses	8,938	8,780
	<b>147,199</b>	<b>132,506</b>



# Notes to the financial statements (continued)

## Note 8. Trade and other receivables (continued)

### Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
<b>2015</b>						
Trade receivables	135,540	-	-	-	-	135,540
<b>Total</b>	<b>135,540</b>	-	-	-	-	<b>135,540</b>
<b>2014</b>						
Trade receivables	120,520	-	-	-	-	120,520
<b>Total</b>	<b>120,520</b>	-	-	-	-	<b>120,520</b>

**2015**  
**\$**

**2014**  
**\$**

## Note 9. Property, plant and equipment

### Leasehold improvements

At cost	275,230	269,088
Less accumulated depreciation	(182,324)	(155,277)
	<b>92,906</b>	<b>113,811</b>

### Plant and equipment

At cost	170,723	137,380
Less accumulated depreciation	(74,845)	(74,026)
	<b>95,878</b>	<b>63,354</b>
<b>Total written down amount</b>	<b>188,784</b>	<b>177,165</b>

## Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 9. Property, plant and equipment (continued)		
<b>Movements in carrying amounts</b>		
<b>Leasehold improvements</b>		
Balance at the beginning of the reporting period	113,811	140,720
Additions	6,142	-
Depreciation expense	(27,047)	(26,909)
<b>Balance at the end of the reporting period</b>	<b>92,906</b>	<b>113,811</b>
<b>Plant and equipment</b>		
Balance at the beginning of the reporting period	63,354	65,986
Additions	68,017	21,080
Disposals	(8,296)	-
Depreciation expense	(27,197)	(23,712)
<b>Balance at the end of the reporting period</b>	<b>95,878</b>	<b>63,354</b>

## Note 10. Intangible assets

### Franchise fee

At cost	21,537	21,537
Less accumulated amortisation	(15,354)	(13,047)
	<b>6,183</b>	<b>8,490</b>

### Borrowing costs

At cost	398	-
Less accumulated amortisation	(73)	-
	<b>325</b>	<b>-</b>

**Total Intangible assets** **6,508** **8,490**

### Movements in carrying amounts

#### Franchise fee

Balance at the beginning of the reporting period	8,490	10,797
Amortisation expense	(2,307)	(2,307)
<b>Balance at the end of the reporting period</b>	<b>6,183</b>	<b>8,490</b>

#### Borrowing costs

Balance at the beginning of the reporting period	-	-
Additions	398	-
Amortisation expense	(73)	-
<b>Balance at the end of the reporting period</b>	<b>325</b>	<b>-</b>

## Notes to the financial statements (continued)

	2015 \$	2014 \$
<b>Note 11. Trade and other payables</b>		
<b>Current</b>		
Unsecured liabilities:		
Trade creditors	21,673	12,528
GST payable	15,661	10,800
Other creditors and accruals	17,197	11,880
	<b>54,531</b>	<b>35,208</b>

The average credit period on trade and other payables is one month.

## Note 12. Borrowings

<b>Current</b>		
Secured liabilities		
Chattel mortgage	15,542	14,141
	<b>15,542</b>	<b>14,141</b>
<b>Non-current</b>		
Secured liabilities		
Chattel mortgage	38,002	15,218
	<b>38,002</b>	<b>15,218</b>

## Note 13. Provisions

<b>Employee benefits</b>	<b>65,391</b>	<b>31,756</b>
<b>Movement in employee benefits</b>		
Opening balance	31,756	31,465
Additional provisions recognised	43,826	34,284
Amounts utilised during the year	(41,842)	(33,993)
<b>Closing balance</b>	<b>33,740</b>	<b>31,756</b>
<b>Current</b>		
<b>Annual leave</b>	<b>33,740</b>	<b>31,756</b>
<b>Non-current</b>		
<b>Long service leave</b>	<b>31,651</b>	-
<b>Total provisions</b>	<b>65,391</b>	<b>31,756</b>

# Notes to the financial statements (continued)

## Note 13. Provisions (continued)

### Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

	2015 \$	2014 \$
--	------------	------------

## Note 14. Tax balances

### (a) Tax assets

#### Current

Income tax receivable	-	-
	-	-

#### Non-current

#### Deferred tax asset comprises:

- Provisions	22,227	10,951
	<b>22,227</b>	<b>10,951</b>

### (b) tax liabilities

#### Current

Income tax payable	4,561	32,993
	<b>4,561</b>	<b>32,993</b>

#### Non-current

#### Deferred tax liability

- Prepayments and accrued income	3,497	3,596
	<b>3,497</b>	<b>3,596</b>

## Note 15. Share capital

900,008 Ordinary Shares fully paid	900,008	900,008
Less: Equity raising costs	-	-
	<b>900,008</b>	<b>900,008</b>

## Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 15. Share capital (continued)		
<b>Movements in share capital</b>		
Fully paid ordinary shares:		
At the beginning of the reporting period	900,008	900,008
Shares issued during the year	-	-
<b>At the end of the reporting period</b>	<b>900,008</b>	<b>900,008</b>

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

### 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 Statement of Financial Position.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

(i) the Distribution Limit is the greater of:

- (a) 20% of the profit or funds of the company 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; and

(ii) 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 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

	2015 \$	2014 \$
Note 16. Accumulated losses		
Balance at the beginning of the reporting period	(135,484)	(138,663)
Profit after income tax	56,085	75,180
Dividends payable	(81,001)	(72,001)
<b>Balance at the end of the reporting period</b>	<b>(160,400)</b>	<b>(135,484)</b>

## Notes to the financial statements (continued)

	2015 \$	2014 \$
<b>Note 17. Statement of cash flows</b>		
Reconciliation of cash flow from operations with profit after income tax		
Profit after income tax	56,085	75,180
Non cash flows in profit		
- Depreciation	54,244	50,621
- Amortisation	2,380	2,307
- Interest amortisation	3,401	2,256
- Profit on sale of property, plant & equipment	(795)	-
Changes in assets and liabilities		
- (Increase) decrease in receivables / other assets	(14,693)	(14,002)
- (Increase) decrease in deferred tax asset	(11,276)	(581)
- Increase (decrease) in payables	(9,110)	(22,353)
- Increase (decrease) in provisions	33,635	290
- Increase (decrease) in deferred tax liability	(98)	(49)
<b>Net cash flows from/(used in) operating activities</b>	<b>113,773</b>	<b>93,669</b>

## Note 18. Related party transactions

The company's main related parties are as follows:

### (a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

### (b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

### (c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

During the year Terri Christensen received \$1,000 (2014: \$1,200) for performing secretarial duties to the company.

RSM Bird Cameron of which Steven James is a partner has received \$22,550 (2014: \$19,915) in respect of accounting and share registry fees from the company.

# Notes to the financial statements (continued)

---

## Note 18. Related party transactions (continued)

### (d) Key management personnel shareholdings

The number of ordinary shares in Port Lincoln Community Enterprises Limited held by each key management personnel of the company during the financial year is as follows:

	2015	2014
Pat Callaghan	33,668	33,668
Terri Christensen	2,001	2,001
Anne-Marie Hammond	1,001	1,001
Michael Munro	12,000	2,000
Steven James	5,002	5,002
Angela Cordon	500	500
Jane Kidney	-	-
Cameron Foster	-	-
Sandra Lukin	-	-
Diana Smith	-	-

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid.

### (e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

## Note 19. Events after the reporting period

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

## Note 20. Contingent liabilities and contingent assets

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

## Note 21. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Port Lincoln, South Australia. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2014: 100%).

## Notes to the financial statements (continued)

	2015 \$	2014 \$
<b>Note 22. Leases</b>		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.		
Payable - minimum lease payments		
- no later than 12 months	50,016	50,016
- between 12 months and 5 years	200,064	250,080
- greater than 5 years	-	-
	<b>250,080</b>	<b>300,096</b>

The property lease is a non-cancellable lease with a 5 year term, with rent payable monthly in advance and with CPI increases each year.

## Note 23. Company details

The registered office & principle place of business is: The Centre, 34 Liverpool Street  
Port Lincoln SA 5606

	2015 \$	2014 \$
<b>Note 24. Earnings per share</b>		
Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.		
Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).		
There were no options or preference shares on issue during the year.		
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
<b>Profit/(loss) after income tax expense</b>	<b>56,085</b>	<b>75,180</b>
<b>Weighted average number of ordinary shares for basic and diluted earnings per share</b>	<b>900,008</b>	<b>900,008</b>

## Note 25. Dividends paid or provided for on ordinary shares

### Dividends paid during the year

<b>Unfranked dividend - 9 cents per share (2014: 8 cents)</b>	<b>81,001</b>	<b>72,001</b>
---	---------------	---------------



# Notes to the financial statements (continued)

## Note 26. Financial risk management

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 Financial Instruments: Recognition and Measurement as detailed in the accounting policies are as follows:

	Note	2015 \$	2014 \$
<b>Financial assets</b>			
Cash & cash equivalents	6	148,814	174,007
Investments and other financial assets	7	407,600	394,317
Trade and other receivables	8	147,199	123,726
<b>Total financial assets</b>		<b>703,613</b>	<b>692,050</b>
<b>Financial liabilities</b>			
Trade and other payables	11	54,531	35,208
Borrowings	12	53,544	29,359
<b>Total financial liabilities</b>		<b>108,075</b>	<b>64,567</b>

### Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

### Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

#### **(a) Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

### Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position.

The company has no significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

## Notes to the financial statements (continued)

### Note 26. Financial risk management (continued)

#### (a) Credit risk (continued)

None of the assets of the company are past due (2014: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

	2015 \$	2014 \$
<b>Cash and cash equivalents:</b>		
A rated	148,814	174,007
<b>Investments and other financial assets:</b>		
A rated	407,600	394,317
	<b>556,414</b>	<b>568,324</b>

#### (b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

30 June 2015	Note	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>Financial liabilities due for payment</b>					
Trade and other payables	11	54,531	54,531	-	-
Loans and borrowings	12	53,544	15,542	38,002	-
<b>Total expected outflows</b>		<b>108,075</b>	<b>70,073</b>	<b>38,002</b>	-

## Notes to the financial statements (continued)

### Note 26. Financial risk management (continued)

#### (b) Liquidity risk (continued)

30 June 2015	Note	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>Financial Assets - cash flows realisable</b>					
Cash & cash equivalents	6	148,814	148,814	-	-
Investments and other financial assets	7	407,600	407,600		
Trade and other receivables	8	147,199	147,199	-	-
<b>Total anticipated inflows</b>		<b>703,613</b>	<b>703,613</b>	-	-
<b>Net (Outflow)/Inflow on financial instruments</b>		<b>595,538</b>	<b>633,540</b>	<b>(38,002)</b>	-

30 June 2014	Note	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>Financial liabilities due for payment</b>					
Trade and other payables	11	35,208	35,208	-	-
Loans and borrowings	12	29,359	14,141	15,218	-
<b>Total expected outflows</b>		<b>64,567</b>	<b>49,349</b>	<b>15,218</b>	-
<b>Financial Assets - cash flows realisable</b>					
Cash & cash equivalents	6	174,007	174,007	-	-
Investments and other financial assets	7	394,317	394,317		
Trade and other receivables	8	123,726	123,726	-	-
<b>Total anticipated inflows</b>		<b>692,050</b>	<b>692,050</b>	-	-
<b>Net (Outflow)/Inflow on financial instruments</b>		<b>627,483</b>	<b>642,701</b>	<b>(15,218)</b>	-

#### (c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

# Notes to the financial statements (continued)

## Note 26. Financial risk management (continued)

### (c) Market risk (continued)

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the company to interest rate risk are borrowings, fixed interest securities, and cash and cash equivalents.

#### Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	<b>Profit \$</b>	<b>Equity \$</b>
<b>Year ended 30 June 2015</b>		
+/- 1% in interest rates (interest income)	5,564	5,564
+/- 1% in interest rates (interest expense)	(535)	(535)
	<b>5,029</b>	<b>5,029</b>
<b>Year ended 30 June 2014</b>		
+/- 1% in interest rates (interest income)	5,683	5,683
+/- 1% in interest rates (interest expense)	(294)	(294)
	<b>5,390</b>	<b>5,390</b>

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

The company has no exposure to fluctuations in foreign currency.

### (d) Price risk

The company is not exposed to any material price risk.

#### Fair values

- Fair value estimation

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised instruments at year end.

# Directors' declaration

---

In accordance with a resolution of the Directors of Port Lincoln Community Enterprises Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 37 are in accordance with the Corporations Act 2001 and:
  - (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
  - (ii) give a true and fair view of the company's financial position as at 30 June 2015 and of the performance for the year ended on that date;
2. In the Directors' opinion 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 resolution is made in accordance with a resolution of the Board of Directors.



**Pat Callaghan**  
**Director**

Signed at Port Lincoln on 17 September 2015.

# Independent audit report

---



Chartered Accountants

Level 2, 10-16 Forest Street  
Bendigo, VICTORIA  
PO Box 30, Bendigo VICTORIA 3552

Ph: (03) 5445 4200  
Fax: (03) 5444 4344  
rsd@rsd advisors.com.au  
www.rsdadvisors.com.au

## ***INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PORT LINCOLN COMMUNITY ENTERPRISES LIMITED***

### **Report on the Financial Report**

We have audited the accompanying financial report of Port Lincoln Community Enterprises Limited, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company at the year's end.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. 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 (IFRS).

#### *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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 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, the auditor considers internal control relevant to the company's preparation 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 company'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.

# Independent audit report (continued)

---

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

## *Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Port Lincoln Community Enterprises Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

## *Auditor's Opinion*

In our opinion:

- (a) the financial report of Port Lincoln Community Enterprises Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants



**P. P. Delahunty**  
Partner

Dated at Bendigo, 17 September 2015

Port Lincoln **Community Bank**<sup>®</sup> Branch  
The Centre, 34 Liverpool Street,  
Port Lincoln SA 5606  
Phone: (08) 8682 5226

Franchisee: Port Lincoln Community Enterprises Limited  
9-11 Mortlock Terrace, Port Lincoln SA 5606  
ABN: 29 127 996 187

[www.bendigobank.com.au/port\\_lincoln](http://www.bendigobank.com.au/port_lincoln)  
(BMPAR15021) (07/15)

This Annual Report has been printed on 100% Recycled Paper



[bendigobank.com.au](http://bendigobank.com.au)

