Strzelecki Ranges Community Enterprises Limited

2016 Annual Report

Mirboo North & District Community Bank® Branch

Bendigo Bank

Strzelecki Ranges Community Enterprises Limited

2016 Annual Report

Contents

Chair's Report

I have pleasure in presenting Strzelecki Ranges Community Enterprises Limited's sixth Annual Report, for the year ending 30 June 2016, and am very proud of the results that we can share with you.

This year we have contributed $37,947 in grants from Community Enterprise Foundation™ funds and $37,025 in sponsorships to our community organisations. Our total contributions to our communities now stand at $502,235. In addition we have paid a dividend in three of our first five years and will pay a dividend again this year, bringing our total dividends to $125,019.

Company revenue for this reporting period is $758,334 from which we derived a profit before tax and before an allocation to the Community Enterprise Foundation™ of $76,648. The net profit is $54,707, compared to $35,568 in 2014/15.

We signed a new Franchise Agreement with Bendigo Bank in October 2015, consolidating our strong relationship with Bendigo Bank, and assuring the strength of our operational management.

We have reframed our sponsorship program this year to emphasise that it is based on reciprocity and building the business, unlike grants, which rest on their value to the community.

This year we farewell two of our original Directors, John Harris and Rob Herni. John Chaired the Board from 2011 to 2014 and our sound governance is significantly due to his diligent and expert guidance of the development of our policies and processes. John and Rob represented the interests of Yinnar and Boolarra respectively, especially on the Community Advancement Committee. Rob has made a major contribution through chairing the Business Development and Marketing Committee. The Board thanks John and Rob for their outstanding work and commitment for the last eight years, including their serving on the initial Steering Committee.

We welcomed two new Directors during the year, Thomasin Bales and John Butler, who have already made a real contribution to the Board.

My thanks go to all directors, and to our Executive Officer Anne Marie Dieperink, for their commitment, support and hard work, ensuring the ongoing success of our company. We specifically thank Warren Warner who is stepping down after four years as an invaluable Treasurer.

Our Branch Manager, Alan Bannister, has achieved an outstanding year, with his team, in a challenging financial environment, and we thank him and all staff for their performance and their loyalty. We are very proud of our staff, and very pleased that we employ local people to serve our local communities. This year we have been delighted to welcome Samantha Gardiner, who is replacing Adriana Waller whilst she is on maternity leave.

Our lasting gratitude goes to you as shareholders. Without your initial and continuing faith in this enterprise, providing the return of full banking services to Mirboo North and the communities of Boolarra and Yinnar, this **Community Bank®** branch would not exist.

We hope that you too are proud of your **Community Bank®** branch and that you bank with us. We know that shareholders are among our best ambassadors. Clearly, the more people who bank with us, the greater can be the reinvestment back into the community, through dividends to shareholders and grants to community organisations. Please talk to your friends about banking with us. If you belong to community clubs and organisations that don't yet bank with us, you might like to introduce a Director or the Branch Manager to their committee of management to explain the benefits, both to members and to the club.

Margaret L. Lynn

Marg Lynn
Chair

Manager's Report 2016

It is very pleasing to report that we have again experienced substantial growth during the 2015/16 financial year of $7.5 million and a gain in customer numbers of 106. This takes our total branch footings to $85.423 million and customer numbers to 2,541.

I would like to thank you our shareholders and the community for your continued support of the branch. We are edging towards our aim of reaching total footings to $100 million which hopefully will occur in 2017. This will allow us to contribute more of our profits to our already strong and successful communities of Mirboo North, Boolarra, Yinnar and surrounding districts as well as dividends to our shareholders.

As a shareholder we seek your help in bringing new business to our branch. You can do this in many ways such as an introduction to community or business groups that you may be involved with. It may result in a new customer for the branch and with every new customer gained an increase in our profits and dividends are likely. Your personal banking is also important to us and we would love you to consider us for all of your banking needs. Our partner Bendigo Bank is the 5th largest bank in Australia offering all of the banking services required and places our community in a unique situation. The difference with the **Community Bank®** model is that every time people bank with their local **Community Bank®** branch, the bottom line increases and as such, community contributions and dividends increase as well.

Our profits continue to increase and we have contributed a further $55,000 to our Grants Program this year making a total contribution of approximately $202,000 over the past five years. But it's not just grants that we provide, but also extensive much needed sponsorship of more than 50 local community groups of approximately $40,000 each year, shareholder dividends and various donations to worthy causes. In fact our total community contributions since opening our doors have now exceeded $500,000. A fantastic result for such a young branch!

A big thank you must go to our staff who are our biggest asset and they continue to provide friendly professional service to all of our customers. We welcome Sam Gardiner to our team who has replaced Adriana Waller who is currently on maternity leave. Call in and see Sam, Kim, Susan, Sarah and Nicole to see what a difference a smile can make to your day.

Last but not least my thanks must go to our hard working Directors who volunteer their time to ensure that we have a successful **Community Bank®** branch operating in our district. Without their hard work and dedication banking services would not be possible.

Alan Bannister

Branch 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 community.

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

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

Strzelecki Ranges Community Enterprises Limited
ABN 76 139 013 095
Directors' Report

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:

Margaret Lilian Lynn
Chair
Occupation: Retired
Qualifications, experience and expertise: PhD in community analysis and community development; past senior lecturer and head of school at Monash University and Chair of Centre for Rural Communities from 1995 to 2009. Extensive experience in community and regional management committees. Member of Mirboo North Community Planning Working Group and convenor of its Health and Wellbeing project team 2012-14. Member of MCDI Committee since 2014. Secretary of Bass Coast/South Gippsland Reconciliation Group since 2012.
Special responsibilities: Human Resources & Property, Governance, Community Advancement, Finance & Audit and Business Development & Marketing Committees.
Interest in shares: 6,021

John Arthur Harris
Director
Occupation: Retired
Qualifications, experience and expertise: B.Sc., M.Sc., Dip.Ed. University academic, 39 years teaching and research; Professor and Director, Centre for Learning and Teaching Support, Monash University. Life Member, Apex and Member, Lions. Inaugural President, Kurnai College Council, Treasurer, Yinnar and District Community Association. Member, Latrobe City Municipal Emergency Management Plan Committee, Member, Latrobe City Emergency Recovery Sub-Committee.
Special responsibilities: Governance, Business Development & Marketing and Community Advancement Committees.
Interest in shares:1,001

Warren Leigh Warner
Treasurer
Occupation: Retired
Qualifications, experience and expertise: Currently, Warren is actively involved in community work with the Friends of the Lyrebird Forest Walk/Rail Trial and the Leongatha/Woorayl Probus Club. Warren's work experience was in Grocery and Pharmacy industries for 39 years, responsible for National major accounts in retail and Commercial channels. The last company Goodman Fielder where Warren was responsible for all National accounts in the commercial Bread Department. Management of major accounts, volume, income generated and more important profitability.
Special responsibilities: Treasurer, Finance & Audit Committee.
Interest in shares: 2,500

Robert Herni
Director
Occupation: Retired
Qualifications, experience and expertise: Nursery manager, Chair of Boolarra Community Development Group. Member of Freemasons Benevolence Committee (4 years). Member of Argyle Freemasons Lodge (8 years). Manager of Gippsland Aged Care Assessment Team.
Special responsibilities: Business Development & Marketing and Community Advancement Committees.
Interest in shares: 2,501

Matthew Joseph Gleeson
Director
Occupation: Primary Producer
Qualifications, experience and expertise: Dairy farmer at Boolarra. Trustee and President of Boolarra Public Cemetery Trust. Past Director and Chair of Gipps Dairy, Boolarra Cemetery Trust and Member of Southern Rural Water Southern Groundwater and Rivers Forum. Justice of the Peace. Bachelor of Business. Advanced Diploma of Agriculture. MAICD.
Special responsibilities: Human Resources & Property Committee.
Interest in shares: 2,000

Janette Mary Head
Director
Occupation: Retail Assistant
Qualifications, experience and expertise: Former Bank Officer, Waitress, Head of Retail Department. Currently Retail Assistant. Involved in St Joseph's Catholic Church, Friends of Library Group and Mirboo Country Development Inc.
Special responsibilities: Community Advancement and Business Development & Marketing Committees.
Interest in shares: 5,000

Directors *(continued)*

Peter Lawrence Gardener
Director
Occupation: Retired
Qualifications, experience and expertise: Adv. Diploma Rural Business Management. Diploma of Horticulture. Diploma of Teaching. 25 years business experience (Horticulture/Retail Garden Centre).
Special responsibilities: Finance & Audit Committee
Interest in shares: 10,000

Annette Margaretha Dieperink
Secretary
Occupation: Executive Officer
Qualifications, experience and expertise: Bachelor of Economics, Logistics Manager (Westmin Talc, PENNZOIL Motor Oils), Senior Business Analyst (IBM HQ Amsterdam, AHMG Health Insurance, Sage Technology, GDF-Suez Hazelwood) and Executive Officer /Company Secretary SRCEL 2014 – current. Community Involvement: past Secretary, Vice President and President of Mirboo North Kindergarten, Coordinator of Mirboo North Art Show 2009 – current.
Special responsibilities: Business Development & Marketing, Human Resource & Property, Finance & Audit Committees, Company Secretary and Executive Officer
Interest in shares: 2,500

Sam Joseph Carbone
Director
Occupation: Barrister & Solicitor
Qualifications, experience and expertise: Practicing Barrister & Solicitor for over 30 years. Board member of the Italian Australian Club for over 10 years. Board member and President of the Thorpdale Primary School Council for 11 years. Board member of the Mirboo North Bush Nursing Hospital for 7 years. Education - Bachelor of Law & Bachelor of Economics. Sam commenced his own legal practice in 1986 and built it to a reputable firm employing approximately 15 both professional and non-professional staff. Simultaneously owned and/or have been involved in a range of different businesses - all of which employed a number of staff.
Special responsibilities: Governance Committee
Interest in shares: 5,000

Alan James McNamara
Director
Occupation: Retired
Qualifications, experience and expertise: Apprenticeship as a Compositor (Type setting). Over 40 years in various parts of the printing industry. Owned and operated newsagency with post office and lotto agencies. Volunteer at the Mirboo North Times Newspaper. Treasurer of the Mirboo North Community Shed and Men's Shed. Involved with the Friends of Lyrebird Forest Walk and Wednesday Warriors.
Special responsibilities: Finance & Audit Committee.
Interest in shares: 1,500

Thomasin James Bales *(Appointed 8 December 2015)*
Director
Occupation: Environmental Consultant
Qualifications, experience and expertise: Thomasin (Ba, BSc(Hons), MEnvSc) is an environmental consultant with experience in geological exploration, contaminated land assessment and remediation, waste management, environmental management, and ecological assessment. She also works in community consultant, with experience in the conduct of community surveys, interviews and door-knocking communication campaigns, and has a history of wide involvement with industry and community groups, including Australian Contaminated Land Consultants Association, Mirboo North Playgroup, Mirboo Recreation Reserve, Mirboo North Kindergarten, St Andrews Child Care Centre, Grand Strzelecki Track, Mirboo North Primary School Parents Club, Friends of Turtons Creek, and not Strzelecki Ranges Community Enterprises.
Special responsibilities: Nil
Interest in shares: Nil

John Villers Butler *(Appointed 10 June 2016)*
Director
Occupation: Retired
Qualifications, experience and expertise: Former Vet Practice owner and principal vet (Animal Clink Morwell). Former Vet Director (Greencross Vets Morwell). Committee Member (Yinnar and District Community Assoc.), Member Yinnar CFA. Bachelor of Vet Sci and Master Vet Studies.
Special responsibilities: Business Development and Marketing, Community Advancement Committee.
Interest in shares: Nil

Directors *(continued)*

Geoffrey Alan Williamson
Director *(Resigned 25 August 2015)*
Occupation: Self-Employed Technician
Qualifications, experience and expertise: Experience as Director & Company Secretary for SRCEL since incorporation in August 2009 to July 2013. B.A. (Psych.); 23 years in public service and not-for-profit sectors – both service delivery and management roles. Past office holder in community groups; experience in community arts projects.
Special responsibilities: All Committees
Interest in shares: 8,001

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 Annette Margaretha Dieperink. Annette was appointed to the position of secretary on 9 October 2014 when Peter Gardner resigned as company secretary. Annette has a Bachelor of Economics and had previous secretarial experience of Mirboo North Kindergarten.

Principal Activities

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

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

Operating results

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

	Year ended 30 June 2016 $	Year ended 30 June 2015 $
	54,707	35,568

Dividends	Year ended 30 June 2016 Cents	$
Dividends paid in the year	3	25,004

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 except as disclosed in note 21 to the financial statements. 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.

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 2015 - 2016			Committee Meetings Attended 2014 - 2015									
				Finance & Audit		Business Development & Marketing		Human Resources & Property		Governance		Community Advancement	
Margaret Lilian Lynn	11	10	1	12	8	11	9	7	7	8	8	8	6
Warren Leigh Warner	11	8	1	12	11	-	-	-	-	-	-	-	-
John Arthur Harris	11	9	1	-	-	11	10	-	-	8	8	8	6
Robert Hemi	11	9	-	-	-	11	10	-	-	-	-	8	6
Matthew Joseph Gleeson	11	10	-	-	-	-	-	7	7	-	-	0	0
Janette Mary Head	11	9	1	-	-	11	10	-	-	-	-	8	8
Peter Lawrence Gardener	11	10	1	12	12	-	-	-	-	-	-	-	-
Annette Margaretha Dieperink	11	11	-	12	12	11	11	7	7	-	-	-	-
Sam Joseph Carbone	11	9	-	-	-	-	-	-	-	8	8	-	-
Alan James McNamara	11	7	-	12	11	-	-	-	-	-	-	-	-
Thomasin James Bales *(8 December 2015)*	6	3	-	-	-	-	-	-	-	-	-	-	-
John Villers Butler *(10 June 2016)*	1	1	-	-	-	-	-	-	-	-	-	-	-
Geoffrey Alan Williamson *(Resigned 25 August 2015)*	2	1	-	-	-	2	-	-	-	-	-	-	-

A - Number the Director was eligible to attend
B - Number attended
C - Number for which Leave of Absence granted

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 and 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 and 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 6.

Signed in accordance with a resolution of the board of directors at Mirboo North, Victoria on 27 August 2016.

Margaret L. Lynn

Margaret Lilian Lynn, Chair

Partners in success

Chartered Accountants

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Strzelecki Ranges Community Enterprises Limited

As lead auditor for the audit of Strzelecki Ranges Community Enterprises 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 August 2016

David Hutchings
Lead Auditor

Strzelecki Ranges Community Enterprises Limited
ABN 76 139 013 095
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Revenue from ordinary activities	4	758,334	714,908
Employee benefits expense		(390,525)	(341,146)
Charitable donations, sponsorship, advertising and promotion		(98,897)	(109,000)
Occupancy and associated costs		(20,028)	(19,636)
Systems costs		(33,448)	(34,813)
Depreciation and amortisation expense	5	(37,015)	(42,809)
Finance costs	5	(5,493)	(5,738)
General administration expenses		(96,280)	(102,851)
Profit before income tax expense		**76,648**	**58,915**
Income tax expense	6	(21,941)	(23,347)
Profit after income tax expense		54,707	35,568
Total comprehensive income for the year		**54,707**	**35,568**
Earnings per share for profit attributable to the ordinary shareholders of the company:		¢	¢
Basic earnings per share	22	6.56	4.27

The accompanying notes form part of these financial statements

Strzelecki Ranges Community Enterprises Limited
ABN 76 139 013 095
Balance Sheet
as at 30 June 2016

	Notes	2016 $	2015 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	472,491	491,444
Trade and other receivables	8	75,542	76,347
Total Current Assets		**548,033**	**567,791**
Non-Current Assets			
Property, plant and equipment	9	379,792	403,250
Intangible assets	10	142,087	155,643
Deferred tax asset	11	6,275	5,961
Total Non-Current Assets		**528,154**	**564,854**
Total Assets		**1,076,187**	**1,132,645**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	30,400	109,756
Current tax liabilities	11	5,875	15,719
Borrowings	13	8,645	8,394
Provisions	14	19,633	14,155
Total Current Liabilities		**64,553**	**148,024**
Non-Current Liabilities			
Borrowings	13	166,037	174,682
Provisions	14	18,541	12,586
Total Non-Current Liabilities		**184,578**	**187,268**
Total Liabilities		**249,131**	**335,292**
Net Assets		**827,056**	**797,353**
Equity			
Issued capital	15	812,778	812,778
Retained earnings/(Accumulated losses)	16	14,278	(15,425)
Total Equity		**827,056**	**797,353**

The accompanying notes form part of these financial statements

Strzelecki Ranges Community Enterprises Limited
ABN 76 139 013 095
Statement of Changes in Equity
for the year ended 30 June 2016

	Issued capital $	Retained Earnings/(Accu $	Total equity $
Balance at 1 July 2014	812,778	(17,655)	795,123
Total comprehensive income for the year	-	35,568	35,568
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(33,338)	(33,338)
Balance at 30 June 2015	812,778	(15,425)	797,353
Balance at 1 July 2015	812,778	(15,425)	797,353
Total comprehensive income for the year	-	54,707	54,707
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(25,004)	(25,004)
Balance at 30 June 2016	812,778	14,278	827,056

Strzelecki Ranges Community Enterprises Limited
ABN 76 139 013 095
Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		805,346	772,899
Payments to suppliers and employees		(690,160)	(661,698)
Interest received		18,064	11,778
Interest paid		(5,493)	(5,738)
Income taxes paid		(32,099)	(19,723)
Net cash provided by operating activities	17	95,658	97,518
Cash flows from investing activities			
Payments for property, plant and equipment		-	(34,420)
Payments for intangible assets		(81,213)	-
Net cash used in investing activities		(81,213)	(34,420)
Cash flows from financing activities			
Repayment of borrowings		(8,394)	(8,149)
Dividends paid		(25,004)	(33,338)
Net cash used in financing activities		(33,398)	(41,487)
Net increase/(decrease) in cash held		(18,953)	21,611
Cash and cash equivalents at the beginning of the financial year		491,444	469,833
Cash and cash equivalents at the end of the financial year	7(a)	472,491	491,444

The accompanying notes form part of these financial statements

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.

	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

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 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 Mirboo North, Victoria.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

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

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

a) Basis of preparation *(continued)*

Economic dependency - Bendigo and Adelaide Bank Limited *(continued)*

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 banking network. The objective of the review was to develop a shared vision of the **Community Bank®** model that positions it for success now and for the future.

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

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

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

Core banking products

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

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

b) Revenue *(continued)*

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.

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.

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

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.

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.

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

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

h) Intangibles

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

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

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.

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.

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

Note 2. Financial risk management *(continued)*

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

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.

Goodwill

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

Note 3. Critical accounting estimates and judgements *(continued)*

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.

Note 4. Revenue from ordinary activities	**2016**	**2015**
	$	**$**
Operating activities:		
- services commissions	738,576	682,250
- other revenue	4,175	4,192
Total revenue from operating activities	742,751	686,442
Non-operating activities:		
- interest received	11,711	15,653
- rental revenue	3,872	3,811
- profit on sale of non-current assets	-	9,002
Total revenue from non-operating activities	15,583	28,466
Total revenues from ordinary activities	758,334	714,908

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	3,177	6,271
- leasehold improvements	9,849	9,849
- motor vehicle	5,453	2,030
- buildings	4,980	2,659
Amortisation of non-current assets:		
- franchise agreement	2,258	2,000
- franchise renewal fee	11,298	20,000
	37,015	42,809
Finance costs:		
- interest paid	5,493	5,738
Bad debts	559	72

Note 6. Income tax expense

	2016 $	2015 $
The components of tax expense comprise:		
- Current tax	25,535	23,375
- Movement in deferred tax	(542)	(342)
- Adjustment to deferred tax to reflect change to tax rate in future periods	228	314
- Under/over provision in respect to prior years	(3,280)	-
	21,941	23,347

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

	2016 $	2015 $
Operating profit	76,648	58,915
Prima facie tax on profit from ordinary activities at 28.5% (2015: 30%)	21,845	17,674
Add tax effect of:		
- non-deductible expenses	-	6,600
- timing difference expenses	3,690	342
- other deductible expenses	-	(1,241)
	25,535	23,375
Movement in deferred tax	(542)	(342)
Under/over provision in respect to prior years	(3,280)	-
Adjustment to deferred tax to reflect change of tax rate in future periods	228	314
	21,941	23,347

Note 7. Cash and cash equivalents

	2016 $	2015 $
Cash at bank and on hand	21,925	60,877
Term deposits	450,566	430,567
	472,491	491,444

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:

	2016 $	2015 $
Cash at bank and on hand	21,925	60,877
Term deposits	450,566	430,567
	472,491	491,444

Note 8. Trade and other receivables

	2016 $	2015 $
Trade receivables	62,147	55,381
Prepayments	11,421	11,131
Other receivables and accruals	1,974	9,835
	75,542	76,347

Note 9. Property, plant and equipment	2016 $	2015 $
Freehold land		
At cost	35,000	35,000
Buildings		
At cost	214,485	214,485
Less accumulated depreciation	(21,041)	(16,061)
	193,444	198,424
Leasehold improvements		
At cost	180,513	180,513
Less accumulated depreciation	(57,250)	(47,400)
	123,263	133,113
Plant and equipment		
At cost	63,390	63,390
Less accumulated depreciation	(52,651)	(48,866)
	10,739	14,524
Motor vehicles		
At cost	24,219	24,219
Less accumulated depreciation	(6,873)	(2,030)
	17,346	22,189
Total written down amount	379,792	403,250

Movements in carrying amounts:

	2016 $	2015 $
Land		
Carrying amount at beginning	35,000	35,000
Additions	-	-
Disposals	-	-
Less: depreciation expense	-	-
Carrying amount at end	35,000	35,000
Buildings		
Carrying amount at beginning	198,424	203,525
Additions	-	-
Disposals	-	-
Less: depreciation expense	(4,980)	(5,101)
Carrying amount at end	193,444	198,424
Leasehold improvements		
Carrying amount at beginning	133,113	142,962
Additions	-	-
Disposals	-	-
Less: depreciation expense	(9,850)	(9,849)
Carrying amount at end	123,263	133,113
Plant and equipment		
Carrying amount at beginning	14,524	17,154
Additions	-	1,199
Disposals	-	-
Less: depreciation expense	(3,785)	(3,829)
Carrying amount at end	10,739	14,524

Note 9. Property, plant and equipment *(continued)*	2016 $	2015 $
Movements in carrying amounts: *(continued)*		
Motor vehicles		
Carrying amount at beginning	22,189	89
Additions	32,153	24,219
Disposals	(32,153)	(32,153)
Less: depreciation expense	(4,843)	30,034
Carrying amount at end	17,346	22,189
Total written down amount	379,792	403,250

Note 10. Intangible assets

Franchise fee		
At cost	21,297	21,297
Less: accumulated amortisation	(12,259)	(10,000)
	9,038	11,297
Renewal processing fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	-	-
Renewal processing fee		
At cost	56,484	56,484
Less: accumulated amortisation	(11,297)	-
	45,187	56,484
Redomicile fee		
At cost	19,680	19,680
Less: accumulated impairment losses	-	-
	19,680	19,680
Agency fee		
At cost	68,182	68,182
Less: accumulated impairment losses	-	-
	68,182	68,182
Total written down amount	142,087	155,643

Note 11. Tax

Current:		
Income tax payable	5,875	15,719
Non-Current:		
Deferred tax assets		
- accruals	715	713
- employee provisions	10,498	7,621
	11,213	8,334
Deferred tax liability		
- accruals	543	2,373
- deductible prepayments	-	-
- other	4,395	-
	4,938	2,373
Net deferred tax asset	6,275	5,961
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(314)	(28)

Note 12. Trade and other payables	**2016 $**	**2015 $**
Current:		
Trade creditors	24,277	25,488
Other creditors and accruals	6,123	84,268
	30,400	109,756

Note 13. Borrowings

Current:		
Bank loans	8,645	8,394
	8,645	8,394
Non-Current:		
Bank loans	166,037	174,682
	166,037	174,682

The loan is to finance the property at 88 Ridgway Mirboo North and is unsecured and is repayable annually over 20 years. Interest is fixed at 3% p.a. for the term of the loan.

Note 14. Provisions

Current:		
Provision for annual leave	19,633	14,155
	19,633	14,155
Non-Current:		
Provision for long service leave	18,541	12,586

Note 15. Contributed equity

833,462 ordinary shares fully paid (2015: 833,462)	833,462	833,462
Less: equity raising expenses	(20,684)	(20,684)
	812,778	812,778

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 339. As at the date of this report, the company had 386 shareholders.

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

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

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

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

Note 16. Retained earnings/(Accumulated losses)	**2016 $**	**2015 $**
Balance at the beginning of the financial year	(15,425)	(17,655)
Net profit from ordinary activities after income tax	54,707	35,568
Dividends paid or provided for	(25,004)	(33,338)
Balance at the end of the financial year	14,278	(15,425)

Note 17. Statement of cash flows	2016 $	2015 $
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	54,707	35,568
Non cash items:		
- depreciation	23,459	20,809
- amortisation	13,556	22,000
- profit on disposal of asset	-	9,091
Changes in assets and liabilities:		
- (increase)/decrease in receivables	805	(14,774)
- (increase)/decrease in other assets	(314)	(28)
- increase/(decrease) in payables	1,856	23,657
- increase/(decrease) in provisions	11,433	(2,457)
- increase/(decrease) in current tax liabilities	(9,844)	3,652
Net cash flows provided by operating activities	95,658	97,518

Note 18. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,100	3,950
- share registry services	2,960	5,767
- non audit services	4,990	2,982
	12,050	12,699

Note 19. Director and related party disclosures

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

Margaret Lilian Lynn
John Arthur Harris
Warren Leigh Warner
Robert Herni
Matthew Joseph Gleeson
Janette Mary Head
Peter Lawrence Gardener
Annette Margaretha Dieperink
Sam Joseph Carbone
Alan James McNamara
Thomasin James Bales *(Appointed 8 December 2015)*
John Villers Butler *(Appointed 10 June 2016)*
Geoffrey Alan Williamson *(Resigned 25 August 2015)*

Note 19. 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.

Directors Shareholdings	2016	2015
Margaret Lilian Lynn	6,021	6,021
John Arthur Harris	1,001	1,001
Warren Leigh Warner	2,500	5,000
Robert Herni	2,501	2,501
Matthew Joseph Gleeson	2,000	2,000
Janette Mary Head	5,000	5,000
Peter Lawrence Gardener	10,000	10,000
Annette Margaretha Dieperink	2,500	2,500
Sam Joseph Carbone	5,000	5,000
Alan James McNamara	1,500	1,500
Thomasin James Bales *(Appointed 8 December 2015)*	-	-
John Villers Butler *(Appointed 10 June 2016)*	-	-
Geoffrey Alan Williamson *(Resigned 25 August 2015)*	8,001	8,001

There was no movement in directors shareholdings during the year.

Note 20. Dividends paid or provided	2016 $	2015 $
a. Dividends paid during the year		
Current year dividend		
100% (2015: 100%) franked dividend - 3 cents (2015: 4 cents) per share	25,004	33,338
b. Dividends proposed and recognised as a liability		
Current year final dividend		
100% (2015: nil) franked dividend - 3 cents (2015: nil) per share	25,004	-

The tax rate at which dividends have been franked is 30% (2015: 30%).

c. Franking account balance

	2016 $	2015 $
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	57,935	41,467
- franking credits that will arise from payment of income tax as at the end of the financial year	5,875	15,719
- 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:	63,810	57,186
- 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	63,810	57,186

Note 21. 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.

Community Bank® Directors' Privileges Package

The board has adopted the **Community Bank®** Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank®** branch at Strzelecki Ranges. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the directors from the Directors' Privilege Package are $1,310 for the year ended 30 June 2016 (2015: $1,216).

Note 22. Earnings per share

		2016 $	2015 $
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	54,707	35,568
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	833,462	833,462

Note 23. 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 24. 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 25. Segment reporting

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

Note 26. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
88 Ridgeway Road	88 Ridgeway Road
Mirboo North VIC 3871	Mirboo North VIC 3871

Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	$	$	$	$	$	$	$	$	$	$	%	%
Financial assets												
Cash and cash equivalents	21,425	60,377	450,566	430,567	-	-	-	-	500	500	2.38	2.99
Receivables	-	-	-	-	-	-	-	-	62,147	55,381	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	8,645	8,394	45,900	44,563	120,137	130,119	-	-	3.01	3.01
Payables	-	-	-	-	-	-	-	-	24,277	25,488	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.

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

	2016	2015
	$	$
Change in profit/(loss)		
Increase in interest rate by 1%	2,973	3,079
Decrease in interest rate by 1%	2,973	3,079
Change in equity		
Increase in interest rate by 1%	2,973	3,079
Decrease in interest rate by 1%	2,973	3,079

Strzelecki Ranges Community Enterprises Limited
ABN 76 139 013 095
Directors' Declaration

In accordance with a resolution of the directors of Strzelecki Ranges Community Enterprises 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.

Margaret L. Lynn

Margaret Lilian Lynn, Chair

Signed on the 27th of August 2016.

Partners in success

Chartered Accountants

Independent auditor's report to the members of Strzelecki Ranges Community Enterprises Limited

Report on the financial report

We have audited the accompanying financial report of Strzelecki Ranges Community Enterprises 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.

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 Strzelecki Ranges Community Enterprises 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 August 2016

David Hutchings
Lead Auditor

Strzelecki Ranges Community Enterprises Limited

Continuous Disclosure Statement:

Changes to financial model

A core principle of the **Community Bank®** model is a 50/50 share of margin earned on core banking products. To better reflect this core principal, a new Revenue Share model was introduced from 1 July, 2016.

Bendigo and Adelaide Bank Ltd ("BEN") has adopted a Funds Transfer Pricing (FTP) model for **Community Bank®** Revenue Share, effective 1 July 2016. BEN applies its FTP methodology to regulatory reporting, performance management and revenue share. The FTP model:

- is a method used to measure how much each account or product is contributing to overall profitability, given a current cost of marginal funding.
- gives the BEN Group a better understanding of the net interest margin component of overall profitability.
- assigns a FTP rate based on the repricing characteristics and behavioural duration of products.

The BEN FTP revenue share sources **Community Bank®** product data and then applies BENs FTP rates to calculate revenue share for each **Community Bank®** branch by core banking product i.e. loans and deposits. The BEN FTP revenue share is reported to each **Community Bank®** company on a monthly basis.

The FTP methodology is reviewed annually with changes approved by BEN's Asset & Liability Management Committee (ALMAC). BEN's Board Risk Committee approves changes to the FTP Policy.

In the opinion of the SRCEL board our company will suffer an adverse effect as a result of the implementation of the FTP by BEN. Although it is too difficult at present to predict the size of the impact on our profit, the board believes the impact will not be minor. As time goes on and the effect becomes clearer, the Board undertakes to keep all our stakeholders informed.

Margaret Lynn

Margaret L. Lynn

Chair, Board of Directors, SRCEL

1st July 2016

ABN 76 139 013 095
Rear 88 Ridgway, Mirboo Nth, VIC 3871 P.O.Box 351, Mirboo Nth VIC 3871
Phone 03 56681224 Email SRCEL1@bigpond.com
Franchisee of Bendigo & Adelaide Bank Ltd ABN 11068 049 178 AFSL 237879

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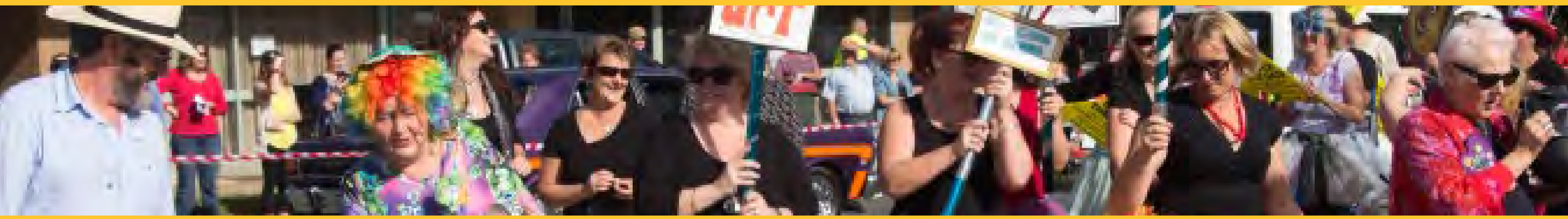

Bendigo Bank

Mirboo North & District Community Bank® Branch
88 Ridgway, Mirboo North VIC 3871
Phone: (03) 5668 1231 Fax: (03) 5668 1240

Franchisee:
Strzelecki Ranges Community Enterprises Limited
88 Ridgway, Mirboo North VIC 3871
Phone: (03) 5668 1231 Fax: (03) 5668 1240
ABN: 76 139 013 095

www.bendigobank.com.au/mirboo_north
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.