Annual Report 2016

Tugun & District Finances Limited

ABN 57 102 056 306

Tugun **Community Bank**® Branch

Contents

Chair's report

For year ending 30 June 2016

Statement of purpose

Our aim is grow as one with our community to provide a sustainable banking service that works in a responsible way to assist the charitable needs of an expanding community.

The Tugun **Community Bank**® Branch continues to make a positive and substantial difference to the southern Gold Coast community. As a **Community Bank**® company shareholder, you already know that banking with us is not only good for you, it is also good for your community. This is a great example of a 'shared value' business. 'Shared value' in Tugun and the southern Gold Coast is represented by the more than $1 million that has now been retained in this community through support of various clubs, groups, schools and events as well as shareholder dividends.

I am pleased to report that our revenue grew to $962,440, an increase of $153,711 on that of last year. Our full year profit before tax was $186,357 (after tax of $133,051), which is up on last year's before tax profit of $48,159. It is important to note that the Board made a decision this year not to add to our funds held in our name in the Community Enterprise Foundation™. This contributed to the larger profit and is set aside for future branch renovations and refurbishment.

Our Manager, Allan Merlehan and his staff have worked hard on your behalf to attain these results and on behalf of the Board, I offer my thanks for all their hard work and dedication over the last 12 months.

One of the challenges faced in the past year was an attempted armed holdup in October 2015. This was handled according to protocols by the staff and I commend them for their actions. It is important as a Board that we continue to monitor and manage risk and to this end we completed a Risk Register this year for ongoing review.

Your Board of Directors continues to work hard to steer the company for future growth and profitability. The challenges that we face in doing this as a mature **Community Bank**® Branch site, is how to build on our market coverage. The Board and staff are focussed on strengthening the relationships we have with our community partners, customers and shareholders to achieve this.

Obviously our Directors and staff are always promoting our point of difference from a corporate bank and I point out that you, as a shareholder, can help by doing your banking (or doing more of your banking) with us. If you are already doing this, explain to others what the Tugun **Community Bank**® Branch difference is and ask them to seek further details from our staff or one of our Directors. If you are a member of a club, group or organisation check if they bank with us as the benefits will flow onto the whole community.

To my fellow Directors, a big thank you for your dedication and numerous hours, freely given, without which we would not be in such a strong position. Michael Havenaar has stepped down this year due to work commitments. Also retiring from the Board is founding Director and past Chairman Allan Blenkins. Allan was involved with the Steering Committee and has been on the Board since inception. I am pleased to announce that both Michael Havenaar and Allan Blenkins are remaining on the Finance Committee. I thank them both for their contribution in the past and their ongoing commitment to your **Community Bank**® company.

Through the year we welcomed Norbert Benton, who brings much experience especially in the area of risk management and Andrea Lewis who has wide experience in event management and marketing. Both also share a strong commitment to their local community.

I will be stepping down as Chair in October after five years in this role. Lisa FitzGerald and Andrea Lewis will take over as Co-Chairs and I feel confident that they will do a wonderful job steering our community company through the times ahead. They will be ably supported by Cameron Window who is stepping into the Deputy Chairs' role.

I am grateful to our franchise partners, Bendigo and Adelaide Bank. We have a strong and positive working relationship with Bendigo and Adelaide Bank and continue to have robust discussions with them to ensure the best outcome for all. I would like to thank Noel Jessup, Stephen Simpson, David Van Eyk and the myriad of other Bendigo and Adelaide Bank corporate staff who have advised and assisted us over the past year.

Maris Dirkx has continued to do an outstanding job supporting the Board in her role as Executive Assistant and I would like to offer my personal thanks for all that she does to make my role so much easier.

We hope you have noticed the wonderful community stories occasionally appearing in the local papers and on local radio. Our Community Engagement Committee is made up of Directors and volunteers who work hard to spread the word about what Tugun **Community Bank**® Branch is doing in our area. Katherine Di Pompo has acted as a consultant in this area. I thank them all for their time and expertise. A development for the year ahead is that some funds are being committed to a Regional Marketing Cluster to increase awareness of the **Community Bank**® model in the region. By combining our resources in this area it is hoped to have a bigger impact.

This impact is evidenced by the more than $1 million that has now been retained in this community through support of various clubs, groups, schools and events as well as shareholder dividends. The groups supported throughout the last year are many and varied and you should be very proud of your **Community Bank**® branch's involvement with these projects. These include schools, kindergartens, community gardens, youth music programs, U3A, surf lifesaving clubs, sporting clubs, and woodwork clubs and events. Your shareholder returns to date are set out in the table below.

Shareholder returns					
Financial year	**Rate**	**Amount paid**	**Financial year**	**Rate**	**Amount paid**
2006/07	4c unfranked	$24,000	2011/12	7c fully franked	$42,000
2007/08	5c unfranked	$30,000	2012/13	7c fully franked	$42,000
2008/09	6c unfranked	$36,000	2013/14	7c fully franked	$42,000
2009/10	7c unfranked	$42,000	2014/15	7c fully franked	$42,000
2010/11	7c unfranked	$42,000			
Total					**$342,000**

The future

There is no doubt that there are challenges to be met in the years to come, but we are confident that the company is in good shape to meet these due to:

- Our staff, who are our real strength and continue to display real commitment to the **Community Bank**® model and are being constantly up skilled in managing relationships with customers and banking products
- Our newly implemented structure to increase our capacity to capitalise on the business opportunities being presented
- Our connections with community organisations and community support which are our point of difference. These partnerships enable us to develop deeper relationships with community partners to meet the banking needs of their members.

Thank you to our shareholders, customers and the local community for supporting your **Community Bank**® branch over the past year. There is no doubt that your continued support has contributed to the success of the business and enabled us to provide significant funds to local community programs and projects.

WP Handley

Wendy Handley
Chair

Manager's report

For year ending 30 June 2016

The past 12 months have been challenging at the Tugun **Community Bank**® Branch with a number of our customers selling property and paying down debt, along with the competition in the finance market causing our margins to decline over the year.

As a result, our total footings (lending and deposits combined) have declined by $1 million from $133.5 million in June 2015 to $132.5 million in June 2016.

To meet the growing competition in the finance market for loans we have restructured our branch and appointed a Customer Relationship Manager to assist in writing new business.

Thanks to the support of our community and the hard work of the staff and Board of Directors over the last 13 years, the branch has been able to contribute over $1 million back into local community through grants, sponsorships and dividends. This is fantastic result that we are all proud of and one that demonstrates the benefits that come from having a local **Community Bank**® branch.

The Tugun **Community Bank**® Branch provided sponsorships and donations of over $57,000 in the last 12 months to the following worthwhile local community groups. These include:

- Tugun Seahawks
- Tugun SLSC
- Tugun Bowls Club
- Currumbin SLSC
- Tugun Lights Up
- Coolangatta Tugun Catholic Parish
- Community By the Sea Christmas Carols
- Soldier On
- Southern Gold Coast Community Garden
- Twin Towns Kindergarten
- U3A
- Youth Music Venture
- Creek to Creek Chamber of Commerce.
- Chambers Magical Christmas
- Southern Gold Coast Chamber of Commerce
- Woodwork and Craft Club
- Tugun Progress Association
- C3 Church Currumbin Food Relief Program
- SurfWorld
- Swell Sculpture Festival
- Teenage Adventures Camp QLD
- Palm Beach Currumbin AFL Club
- Gold Coast Antique Auto Club
- Alley Boardriders Youth Off The Streets Program
- Toolona Street Festival

I would like to take this opportunity to thank the Board of Directors on behalf of myself and team Tugun, their continued support and assistance has been invaluable in the continued growth of our business.

I would like to also personally thank recent retiring Board members, Allan Blenkins and Michael Havenaar. Allan has been with the Board for over 13 years and was involved with the Steering Committee that worked diligently to bring to Tugun a **Community Bank**® branch. Allan's guidance and business acumen will be greatly missed. Michael has been with the Board for over four years and his enthusiasm for our **Community Bank**® branch business expertise will also be missed. I wish Allan and Michael and their families all the best for the future.

As with most years we have had some personnel changes over the last 12 months;

- Karen Perkins, Customer Relationship Officer resigned after four years with us and we wish Karen all the best in her future endeavours.
- Kym Van Eyk, Customer Service Officer resigned and we also wish Kym all the best for the future.

Manager's report (continued)

- Shylah Kenny, Customer Service Officer, has taken 12 months, parental leave; we wish Shylah and Simon all the best with the birth of their first child, due in December.
- We welcome Lorne King as our new Customer Relationship Manager, Cameron McDonald as our new Customer Relationship Officer and Jess Smith as our new Customer Service Officer. We look forward to working with them as part of the team at Tugun.

I would like to thank the staff at Tugun for their efforts throughout the year in what was a challenging year. The staff also worked in their own personal time in raising funds and assisting with the sponsorship/grant programs throughout the year.

We look forward to another successful year ahead, myself and the staff at team Tugun **Community Bank**® Branch encourage our shareholders and customers to continue to tell their family and friends about us and what being a customer of our branch can do for this wonderful community.

Allan Merlehan
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 communities.

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

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

The statistics are impressive:

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

Yes, these figures are staggering.

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

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

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

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

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

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

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

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

On behalf of Bendigo Bank, thank you.

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

Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2016

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

Directors

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

Wendy Patricia Handley

Chair

Occupation: Business Manager

Qualifications, experience and expertise: Bachelor of Physiotherapy, with more than 20 years experience as a physiotherapist and business manager.

Special responsibilities: Chair, Community Engagement Committee, Audit and Finance Committee

Interest in shares: 6,000

Cameron Kenneth Window

Deputy Chair

Occupation: Fixed Income Broker

Qualifications, experience and expertise: Bachelor of Business and Bachelor of Applied Science. Diploma of Financial Markets. Associate Director at Fixed Income. Four years at FIIG Securities. 8 years at Flight Centre Ltd in various Leadership and Finance roles. Founding member of Flight Centre Foundation.

Special responsibilities: Finance Committee

Interest in shares: Nil

Robert William Marshall

Secretary

Occupation: Retired Solicitor

Qualifications, experience and expertise: Retired solicitor. Experience in real estate and property development. Board member of Lindisfarne Anglican School.

Special responsibilities: Finance Committee

Interest in shares: 5,500

Colin Raymond Woodward

Treasurer

Occupation: Public Accountant

Qualifications, experience and expertise: Experience & Expertise: Bachelor of Business, Fellow of CPA Australia, Fellow of Taxation Institute of Australia, Fellow NTAA, Member of Australian Institute of Company Directors, Justice of the Peace (Qualified), Financial Planner, Public accountant at South Tweed Heads.

Special responsibilities: Finance Committee

Interest in shares: 1,000

Directors' report (continued)

Directors (continued)

Lisa Kathleen Fitzgerald

Director

Occupation: Grower Services Support

Qualifications, experience and expertise: Special event organiser including sponsorship generation. Performs advertising copy and marketing coordination. Client Liaison – Grower Services Support (Current). Special Events & Conference Organiser 1989 – Current. Mission Bench SISC Committee Secretary. St Clare's Parish School Canteen Convenor 2009 – 2011. Tully tennis Club Committee 1998 – 2002.

Special responsibilities: CEC

Interest in shares: Nil

Anthony John Brown

Director

Occupation: Lecturer

Qualifications, experience and expertise: Contracted trainer/lecturer for several RTO and Academic Institutions on the Gold Coast and in Brisbane. Current board member of Academique's Academic Board. Master Degree of Business Administration. Skills include, butonot limited to accounting and bookkeeping, financial control, coaching, strategy, businss planning, forecasting, HR and professional development, administration and teaching.

Special responsibilities: Nil

Interest in shares: Nil

Norbert Anthony Benton

Director (Appointed 24 November 2015)

Occupation: Environment Manager

Qualifications, experience and expertise: Over fourteen years professional experience in environmental management including ten years in current role as Environment Manager at Gold Coast Airport. Through my professional career and having completed a Bachelor of Science at Central Queensland university, I have gained the skills and knowledge in governance and risk management practices, along with a

long history of working with an array of stakeholders including government agencies and the community to achieve sound outcomes.

Special responsibilities: Nil

Interest in shares: Nil

Andrea Maree Lewis

Director (Appointed 1 September 2016)

Special responsibilities: Nil

Interest in shares: Nil

Allan Sydney Blenkins

Director (Resigned 27 July 2016)

Occupation: Building Contractor

Qualifications, experience and expertise: Principal of a building company. Managing director of a property management company.

Special responsibilities: Finance Committee

Interest in shares: 15,000

Directors' report (continued)

Directors (continued)

Michael Peter Havenaar

Director (Resigned 29 February 2016)

Occupation: Mechanical Contractor

Qualifications, experience and expertise: Trade qualified refrigeration mechanic since 1978. Continued employment on Gold Coast gaining experience until 1990. Commenced Multi-Cool Air-Conditioning as a sole trader in 1990. 25 years later business now employs 30 full time staff and various sub-contractors. Doing Projects from central Queensland to Sydney for private enterprise and Governments. Memberships Master Builders QLD. BSA Contractor license QLD. Dept. Fair Trading License NSW.

Special responsibilities: Finance Committee

Interest in shares: 2,000

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 Robert William Marshall. Robert was appointed to the position of secretary on 23 January 2008.

Robert is a retired solicitor and his experience is in real estate and property development.

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 $
133,051	35,699

Dividends

	Year ended 30 June 2016	
	Cents	$
Dividends paid in the year	7	42,000

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended – Finance	
	Eligible	Attended	Eligible	Attended
Wendy Patricia Handley	6	5	4	4
Cameron Kenneth Window	6	4	4	2
Robert William Marshall	6	6	4	3
Colin Raymond Woodward	6	6	4	4
Lisa Kathleen Fitzgerald	6	4	-	-
Anthony John Brown	6	5	-	-
Norbert Anthony Benton (Appointed 24 November 2015)	4	3	2	2
Andrea Maree Lewis (Appointed 1 September 2016)	-	-	-	-
Allan Sydney Blenkins (Resigned 27 July 2016)	6	2	4	3
Michael Peter Havenaar (Resigned 29 February 2016)	4	3	3	1

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 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 committee to ensure they do not impact on the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 12.

Signed in accordance with a resolution of the board of directors at Tugun, Queensland on 26 September 2016.

WP Handley

Wendy Patricia Handley,
Chair

Auditor's independence declaration

AFS

Partners in success

Chartered Accountants

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Tugun & District Finances Limited

As lead auditor for the audit of Tugun & District Finances 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: 23 September 2016

David Hutchings
Lead Auditor

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

Financial statements

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

	Notes	2016 $	2015 $
Revenue from ordinary activities	4	962,440	808,729
Employee benefits expense		(461,345)	(436,918)
Charitable donations, sponsorship, advertising and promotion		(71,711)	(74,912)
Occupancy and associated costs		(96,960)	(84,135)
Systems costs		(21,210)	(22,641)
Depreciation and amortisation expense	5	(27,060)	(27,620)
General administration expenses		(97,797)	(114,344)
Profit before income tax expense		**186,357**	**48,159**
Income tax expense	6	(53,306)	(12,460)
Profit after income tax expense		**133,051**	**35,699**
Total comprehensive income for the year		**133,051**	**35,699**
Earnings per share for loss attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	22	22.18	5.95

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2016

	Notes	2016 $	2015 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	444,156	262,213
Trade and other receivables	8	46,436	43,917
Current tax asset	11	-	3,405
Total Current Assets		**490,592**	**309,535**
Non-Current Assets			
Property, plant and equipment	9	82,946	96,162
Intangible assets	10	23,119	36,963
Deferred tax asset	11	78	1,678
Total Non-Current Assets		**106,143**	**134,803**
Total Assets		**596,735**	**444,338**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	25,887	10,646
Current tax liabilities	11	44,876	-
Provisions	13	5,408	4,179
Total Current Liabilities		**76,171**	**14,825**
Total Liabilities		**76,171**	**14,825**
Net Assets		**520,564**	**429,513**
Equity			
Issued capital	14	600,000	600,000
Accumulated losses	15	(79,436)	(170,487)
Total Equity		**520,564**	**429,513**

The accompanying notes form part of these financial statements.

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

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2014	**600,000**	**(164,186)**	**435,814**
Total comprehensive income for the year	**-**	**35,699**	**35,699**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(42,000)	(42,000)
Balance at 30 June 2015	**600,000**	**(170,487)**	**429,513**
Balance at 1 July 2015	**600,000**	**(170,487)**	**429,513**
Total comprehensive income for the year	**-**	**133,051**	**133,051**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(42,000)	(42,000)
Balance at 30 June 2016	**600,000**	**(79,436)**	**520,564**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		1,045,939	885,851
Payments to suppliers and employees		(825,693)	(833,919)
Interest received		7,122	7,014
Income taxes paid		(3,425)	(15,126)
Net cash provided by operating activities	**16**	**223,943**	**43,820**
Cash flows from financing activities			
Dividends paid		(42,000)	(42,000)
Net cash used in financing activities		**(42,000)**	**(42,000)**
Net increase in cash held		**181,943**	**1,820**
Cash and cash equivalents at the beginning of the financial year		262,213	260,393
Cash and cash equivalents at the end of the financial year	**7(a)**	**444,156**	**262,213**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

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

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

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

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

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

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

b) Revenue

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

Revenue calculation

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

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

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

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

Commission

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

Fee income

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

Ability to change financial return

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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

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

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

Monitoring and changing financial return

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

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

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

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

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

c) Income tax

Current tax

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

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

g) Property, plant and equipment

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

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

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

• leasehold improvements	40 years
• plant and equipment	2.5 - 40 years

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

Impairment

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

l) Leases

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

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

m) Provisions

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

Note 1. Summary of significant accounting policies (continued)

m) Provisions (continued)

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

Note 2. Financial risk management (continued)

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

Note 3. Critical accounting estimates and judgements (continued)

Taxation (continued)

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

	2016 $	2015 $

Note 4. Revenue from ordinary activities

	2016 $	2015 $
Operating activities:		
- services commissions	954,909	801,546
Total revenue from operating activities	**954,909**	**801,546**
Non-operating activities:		
- interest received	7,531	6,962
- other revenue	-	221
Total revenue from non-operating activities	**7,531**	**7,183**
Total revenues from ordinary activities	**962,440**	**808,729**

Note 5. Expenses

	2016 $	2015 $
Depreciation of non-current assets:		
- plant and equipment	4,824	5,384
- leasehold improvements	8,392	8,392
Amortisation of non-current assets:		
- franchise agreement	2,307	2,307
- franchise renewal fee	11,537	11,537
	27,060	**27,620**
Bad debts	**329**	**1,039**

Note 6. Income tax expense

	2016 $	2015 $
The components of tax expense comprise:		
- Current tax	53,087	13,619
- Movement in deferred tax	1,597	829
- Adjustment to deferred tax to reflect change to tax rate in future periods	3	88
- Under/(Over) provision of tax in the prior period	(1,381)	(2,076)
	53,306	**12,460**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	186,357	48,159
Prima facie tax on profit from ordinary activities at 28.5% (2015: 30%)	53,112	14,448

	2016 $	2015 $
Note 6. Income tax expense (continued)		
Add tax effect of:		
- non-deductible expenses	259	-
- timing difference expenses	(284)	(829)
	53,087	**13,619**
Movement in deferred tax	1,597	829
Adjustment to deferred tax to reflect change of tax rate in future periods	3	88
Under/(Over) provision of income tax in the prior year	(1,381)	(2,076)
	53,306	**12,460**

Note 7. Cash and cash equivalents

Cash at bank and on hand	194,150	73,781
Term deposits	250,006	188,432
	444,156	**262,213**
Note 7.(a) Reconciliation to cash flow statement		
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:		
Cash at bank and on hand	194,150	73,781
Term deposits	250,006	188,432
	444,156	**262,213**

Note 8. Trade and other receivables

Trade receivables	36,537	34,511
Prepayments	8,442	8,358
Other receivables and accruals	1,457	1,048
	46,436	**43,917**

Note 9. Property, plant and equipment

Leasehold improvements		
At cost	152,842	152,842
Less accumulated depreciation	(89,105)	(80,713)
	63,737	**72,129**

	2016 $	2015 $

Note 9. Property, plant and equipment (continued)

	2016 $	2015 $
Plant and equipment		
At cost	122,501	122,501
Less accumulated depreciation	(103,292)	(98,468)
	19,209	**24,033**
Total written down amount	**82,946**	**96,162**
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	72,129	80,521
Additions	-	-
Disposals	-	-
Less: depreciation expense	(8,392)	(8,392)
Carrying amount at end	**63,737**	**72,129**
Plant and equipment		
Carrying amount at beginning	24,033	29,417
Additions	-	-
Disposals	-	-
Less: depreciation expense	(4,824)	(5,384)
Carrying amount at end	**19,209**	**24,033**
Total written down amount	**82,946**	**96,162**

Note 10. Intangible assets

	2016 $	2015 $
Franchise fee		
At cost	83,041	83,041
Less: accumulated amortisation	(79,173)	(76,866)
	3,868	**6,175**
Renewal processing fee		
At cost	115,089	115,089
Less: accumulated amortisation	(95,838)	(84,301)
	19,251	**30,788**
Total written down amount	**23,119**	**36,963**

	2016 $	2015 $
Note 11. Tax		
Current:		
Income tax payable/(refundable)	**44,876**	**(3,405)**
Non-Current:		
Deferred tax assets		
- accruals	747	786
- employee provisions	1,487	1,191
	2,234	**1,977**
Deferred tax liability		
- accruals	400	299
- property, plant and equipment	1,756	-
	2,156	**299**
Net deferred tax asset	**78**	**1,678**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**1,600**	**918**

Note 12. Trade and other payables

Trade creditors	4,843	2,482
Other creditors and accruals	21,044	8,164
	25,887	**10,646**

Note 13. Provisions

Current:		
Provision for annual leave	1,952	1,267
Provision for long service leave	3,456	2,912
	5,408	**4,179**

Note 14. Contributed equity

600,000 ordinary shares fully paid (2015: 600,000)	**600,000**	**600,000**

Note 14. Contributed equity (continued)

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if they control or own 10% or more of the shares in the company (the "10% limit").

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.

Note 14. Contributed equity (continued)

Prohibited shareholding interest (continued)

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

	2016 $	2015 $

Note 15. Accumulated losses

	2016 $	2015 $
Balance at the beginning of the financial year	(170,487)	(164,186)
Net profit from ordinary activities after income tax	133,051	35,699
Dividends paid or provided for	(42,000)	(42,000)
Balance at the end of the financial year	**(79,436)**	**(170,487)**

Note 16. Statement of cash flows

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

	2016 $	2015 $
Profit from ordinary activities after income tax	133,051	35,699
Non cash items:		
- depreciation	13,216	13,776
- amortisation	13,844	13,844
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(2,520)	(667)
- (increase)/decrease in other assets	5,005	(2,486)
- increase/(decrease) in payables	15,242	(11,376)
- increase/(decrease) in provisions	1,229	(4,790)
- increase/(decrease) in current tax liabilities	44,876	(180)
Net cash flows provided by operating activities	**223,943**	**43,820**

Note 17. Leases

Operating lease commitments

	2016 $	2015 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	61,521	57,990
- between 12 months and 5 years	41,014	96,640
- greater than 5 years	-	-
	102,535	**154,630**

The original rental lease agreement on the branch premises was a non-cancellable lease with a five year term commencing on 19 February 2003 and expiring on 18 February 2008. There is also the option for a further three terms of five years, the first of which was exercised and commenced on 19 February 2008, the second commenced 19 February 2013. The rent payable is currently $61,521 per annum plus GST, reviewed annually and adjusted based on CPI.

Note 18. Auditor's remuneration

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

	2016 $	2015 $
- audit and review services	4,100	3,950
- share registry services	3,330	3,255
- other non audit services	2,330	2,200
	9,760	**9,405**

Note 19. Director and related party disclosures

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

Wendy Patricia Handley
Cameron Kenneth Window
Robert William Marshall
Colin Raymond Woodward
Lisa Kathleen Fitzgerald
Anthony John Brown
Norbert Anthony Benton (Appointed 24 November 2015)
Andrea Maree Lewis (Appointed 1 September 2016)
Allan Sydney Blenkins (Resigned 27 July 2016)
Michael Peter Havenaar (Resigned 29 February 2016)

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.

Note 19. Director and related party disclosures (continued)

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2016 $	2015 $
Transactions with Key Management Personnel		
Allan Blenkins has a financial interest in the lessor company which leases the branch premises to Tugun & District Finances Limited. Payments made during the year to the lessor company were:	65,867	65,703
Colin Woodward as a director of Colin Woodward & Associates is paid a fee by the company for bookkeeping and accounting services. Payments made during the year to the firm were:	5,668	12,790
Michael Havenaar carried out services to the airconditioning system at the Tugun branch premises. Payments made during the year for these services were:	1,600	2,000

	2016	2015
Directors' shareholdings		
Wendy Patricia Handley	6,000	6,000
Cameron Kenneth Window	-	-
Robert William Marshall	5,500	5,500
Colin Raymond Woodward	1,000	1,000
Lisa Kathleen Fitzgerald	-	-
Anthony John Brown	-	-
Norbert Anthony Benton (Appointed 24 November 2015)	-	-
Andrea Maree Lewis (Appointed 1 September 2016)	-	-
Allan Sydney Blenkins (Resigned 27 July 2016)	15,000	15,000
Michael Peter Havenaar (Resigned 29 February 2016)	2,000	2,000

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 - 7 cents (2015: 7 cents) per share	**42,000**	**42,000**

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

	2016 $	2015 $

Note 20. Dividends paid or provided (continued)

b. Franking account balance

	2016 $	2015 $
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	12,610	27,185
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	44,876	(3,404)
- 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:	**57,486**	**23,781**
- 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	**57,486**	**23,781**

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.

Note 22. Earnings per share

	2016 $	2015 $
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	133,051	35,699
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	600,000	600,000

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.

Notes to the financial statements (continued)

Note 25. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**® services in Tugun, Queensland 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**
Colin Woodward & Associates	Shop 1-3/482 Golden Four Drive
Suite 5/First Floor Centre Place	Tugun QLD 4224
90-100 Griffith Street	
Coolangatta QLD 4225	

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.

	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 %**	**2015 %**
Financial assets												
Cash and cash equivalents	194,055	73,505	250,006	188,432	-	-	-	-	95	276	2.13	2.68
Receivables	-	-	-	-	-	-	-	-	36,537	34,511	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	4,843	2,482	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.

Note 27. Financial instruments (continued)

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%	4,441	2,619
Decrease in interest rate by 1%	4,441	2,619
Change in equity		
Increase in interest rate by 1%	4,441	2,619
Decrease in interest rate by 1%	4,441	2,619

Directors' declaration

In accordance with a resolution of the directors of Tugun & District Finances 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.

WP Handley

Wendy Patricia Handley,
Chair

Signed on the 26th of September 2016.

Independent audit report

Partners in success

Chartered Accountants

Independent auditor's report to the members of Tugun & District Finances Limited

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Independent audit report (continued)

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 Tugun & District Finances 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: 23 September 2016

David Hutchings
Lead Auditor

Tugun **Community Bank**® Branch
Shop 1-3, 482 Golden Four Drive, Tugun QLD 4224
Phone: (07) 5559 5700 Fax: (07) 5534 7057

Franchisee: Tugun & District Finances Limited
Shop 1-3, 482 Golden Four Drive, Tugun QLD 4224
Phone: (07) 5559 5700 Fax: (07) 5534 7057
ABN: 57 102 056 306

www.bendigobank.com.au/tugun
www.facebook.com/TugunCommunityBankBranch
(BNPAR16047) (08/16)