Annual Report 2015

Wantirna Community Financial Services Limited

ABN 43 118 000 230

Wantirna **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2015

I have a great deal of pleasure in providing this report, on behalf of the Board, covering the year ended 30 June 2015.

The year was a tumultuous one for the branch with a number of personnel changes impacting upon the continuity and focus of the company.

Our Manager and staff

In July 2014 Andrew Wawra was recruited as Branch Manager to fill the vacancy left by the resignation of the previous Manager in March 2014. However in January 2015, Andrew Wawra resigned and moved to another financial institution, prior to completing his probationary period with our branch.

On the 23 March 2015, we were able to recruit a new Manager, in Paul Jerram, who moved to our branch from another **Community Bank**® branch. Recruiting Paul has been very beneficial to our operations as he is not only an experienced lender, but he is already trained in the bank's policies and procedures as well as their various computer systems.

<u>Other staff changes during the year included:</u>

- Recruitment of Kelly and Vicki, both on 18 August 2014, (both part time employees) to replace Karen, our full time Customer Service Officer, who resigned in August 2014.
- Recruitment of a new Customer Relationship Officer Liz Allen on 15 October 2014, to replace Corey Lim, who resigned to take up a more senior position in another **Community Bank**® branch.

Our Board

As at 30 June 2014, our Board had been reduced to five Directors, following the resignations of four Directors, prior to the financial year end.

However, prior to the Annual General Meeting held in November 2014, previous Directors Wes Gleeson and Matthias Muehlbauer both submitted their resignations, as at 16 September and 10 November respectively. We thank them both for their contributions to the board over the previous 17 months and 22 months respectively.

Given the difficulty in operating with the reduced Board of three Directors, Bendigo Bank assisted our company by arranging for an experienced past **Community Bank**® company Chairman, and Board mentor, in Andy Moutray-Read, to join the Board, which occurred in December 2014.

Also in December 2014, I was invited to join the Board and in June 2015, I was appointed Chairman. (As covered under the "Directors' report," I have had 11 years experience as a **Community Bank**® Branch Manager, during my 47 year career in the banking and finance industry).

To further bolster our Director ranks, we elevated associate Board members Robin Stenzel and Cassandra Hatton, to full Board members, in February and April 2015, respectively. (Both had been associates for the previous 12 months).

To further improve the strength and experience of our Board, we undertook a comprehensive analysis of our Board following which we commenced a search to identify potential Board members, with the skills and attributes we identified as critical for our company to succeed.

We subsequently interviewed nine potential Director applicants and then put them through an extensive familiarisation / training period, including attaching each of them to our three Board sub committees, between March to June 2015, including attending at least one full Board meeting.

Chairman's report (continued)

In July 2015, we reviewed the positions of all nine applicants with the result five were invited to join the Board in July 2015 and another two agreed to join the Board as associates.

Simultaneously to carrying out the Director recruitment exercise, the Board undertook a three year Strategic Plan, including a Business Action plan, with the goal to reach profitability as quickly as possible.

I thank all of our existing and incoming board members, and current and future associate members, whom have given so much of their time, and experience, over the past year.

Also, a huge thanks to our Executive Officer, Chelsea Fletcher, who has made an invaluable contribution to the efficiency of the Board, during an extended period of change.

I would also like to express appreciation to our Regional Manager, Mark Nolan, who took over the role in August 2014 when our previous Regional Manager Marisa commenced maternity leave. Mark and his regional team have provided exceptional assistance to both the branch staff and the Board, over the year in review.

Financial performance

Whilst the financial report is covered fully later in this report, I would like to report:

- Our total business footings increased by 7.32% to $75.089 million during the year under review.
- Our operating loss before income tax was $40,162 compared to a loss of $47,985 during the previous year.
- We have maintained our community investment contributions throughout the year, from the Market Development Funds provided for that purpose by Bendigo Bank.

It is obvious that experiencing three Manager changes between March 2014 and March 2015 has severely impacted upon the company's performance.

Also changes in our branch personnel and Board composition have impacted upon our efforts to fully and successfully engage the community in which we operate.

We are operating in a challenging, low growth environment, with very low interest margins; current expectations are that these conditions will not improve in the near future. Accordingly, it is important for our company to stay focused on our point of difference to the major banks; great customer service, strategic use of our community investment funds and continuous business development and growth.

Under our new Manager, Paul, our branch team is continually demonstrating high customer service standards, critical to the success of the branch going forward.

Similarly our Board of Directors is keen and committed to continually engage our community, to refer potential business to the Manager and branch staff, to help with business growth.

I would like to also encourage all of our shareholders to support the branch with your business, if you are not already doing so.

Merv Ericson
Chairman.

Manager's report

For year ending 30 June 2015

Wantirna **Community Bank**® Branch has once again had an eventful year. The focus this year has been to gain exposure in the market place, build our brand and spread the word about our Value Proposition – "Building the community through local banking". We're utilising our strengths of 'Business Bank of the Year' for four years running and shifting part of our focus to encourage our local SME Business's and traders to support us by also banking with us.

I joined the Wantirna **Community Bank**® Branch back in late March this year, and the focus to recruit and build our staff and a new Board of Directors has taken some time, but I am delighted to see a new look Board with enthusiastic professionals eager to stamp their mark on our branch, and take it forward to a prosperous future.

As Wantirna **Community Bank**® Branch is about to launch into its 10th year of trading, looking back, the branch has had some tumultuous years due to external influences from the economy, industrial policy amendments, staffing, technological influences and increased competition. The enthusiasm, support and eagerness to open a new **Community Bank**® branch back in 2006, and to make it a successful proposition for the community of Wantirna has slowly dissipated over time. The Global Financial Crisis occurring within 18 months of the branch opening its doors had a significant impact on the business.

This financial year the branch has experienced 43% growth in lending with settlements of $8.530 million and 5.5% retraction in deposits $2.434 million throughout the term, equating to an overall business growth of 7.32% for the year. The deposit retraction can be attributed to the lower interest rates on offer to our older wealthier clientele, some more savvy investors seeking alternative products and options to invest their savings or retirement funds.

The challenge ahead is to re-invigorate the enthusiasm and passion that was shown to open the branch initially, and build interest within the Wantirna community again, to support the branch by actually banking with us. The local clubs and schools are very supportive and have changed their business banking to Wantirna **Community Bank**® Branch, but that support needs to filter down to their members and families to consider an alternative to their usual bank.

In a competitive market place where financial services are abundant and easily accessed due to technological advancements, and mobility, banking services are now literally at the consumer's finger tips, and they are making demands never seen by the industry before. The banking industry is at the forefront of a technology revolution, and is constantly being challenged to keep up with technological advances and offer online services in line with our competition, in order to remain competitive. Generations X and Y are demanding to be chased for their business, as the option to shop and compare financial products becomes even easier for consumers.

Our strategy for the next year is to plan up to 12 months ahead, to ensure we are exposed to the market more frequently through seminars and educational events, to encourage further investment to our group. By strengthening our existing relationships and creating new ones I believe the **Community Bank**® branch has a strong future in Wantirna and will become a major contributor to building our local community.

I thank all of our customers, shareholders, staff and Board (both past and present) for your support of the **Community Bank**® branch thus far, and look forward to meeting more of you throughout the course of the next financial year.

Manager’s report (continued)

Post 30 June 2015 events

Our long time staff member Debbie Frazer has decided to move on to other opportunities after nine years of Service and resigned in August 2015. Debbie is the last of the original Wantirna **Community Bank**® Branch staff, and I thank her for her loyalty and service over the past nine years. We now have a vibrant enthusiastic new group of staff members all eager to service our existing clientele, and work together to encourage new customers to bank with Wantirna **Community Bank**® Branch. I welcome the addition of Chris Wood to the branch as our Customer Relationship Officer due to start 5 October 2015 bringing us back to a full head of staff. Chris comes to us with prior banking and lending experience, a drive to succeed and motivation to help build the business.

Paul Jerram
Branch Manager

Directors' report

For the financial year ended 30 June 2015

Your directors submit the financial statements of the company for the financial year ended 30 June 2015.

Directors

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

Mervyn James Ericson
Chairman & Director (appointed 8 December 2014)
Retired
Mervyn retired in July 2013 having completed 47 years in the Banking and Finance Industry. In 2002 he was appointed as the Inaugural Manager of the Pinewood **Community Bank®** Branch, Bendigo Bank from which position he retired. Mervyn served on the Pinewood Chamber of Commerce for 7 years including 2 years as Treasurer followed by 5 years as president. He became a Rotarian in 1983 and served as Club President of Rotary Club of Richmond, Vic in 2000-2001 and was selected as District Governor of Rotary District 9810 for the 2013-2014 Rotary year. In February 2007, he was selected as District 9810 Group Study Exchange team leader to lead a Vocational/Ambassadorial exchange with District 1130, London England. Mervyn served on a Business Advisory committee of Monash Economic Development Forum from 2008 to 2014. He is an Associate of the Mortgage Industry Association of Australasia - AMIAA.
Chair Marketing & Sponsorship subcommitee
Interest in shares: Nil

Wes Shane Gleeson
Director (resigned 16 September 2014)
General Manager - Operations & Service Delivery
Wes has over 9 years of senior management experience in the information management industry, including both operational line management and general management. He also brings 22 years of experience in the financial services sector, including senior roles in areas such as risk management and compliance, corporate services, funding and business development, operations management, as well as projects and change management. With his broad experience and qualification in Business & Strategy, Wes demonstrates extensive capabilities in business leadership operational management, service delivery, and client account management. He is an ISO 9002 trained quality auditor and a member of the Records and Information Management Professionals of Australasia. As a Wantirna local, Wes has been active in his community for over 12 years through his work with the Lions Club and Knox Community Forum.
Chair Marketing & Sponsorship subcommittee
Interest in shares: Nil

Robin James Stenzel
Director (appointed 25 February 2015)
Managing Director
Robin is a Fellow with the Australian Institute of Management. Starting his career as an Electronic Technician in the Navy at the age of 16, he has been decorated for services with Multinational Interception Force (MIF). Robin has gone on to work for several CCTV and integration companies in the technology spectrum as either a manager or director/founder and he was the founding member of STE Advantage in 2008. He has a commitment to staff training and development and is currently working toward a Masters in Security Management.
Member of Marketing & Sponsorship subcommitee
Interest in shares: Nil

Directors (continued)

Matthias Muehlbauer
Director (resigned 10 November 2014)
Auditor
Completed a Masters of Professional Accounting at Monash University. Holds a Bachelor of Arts majoring in Economics and Psychology at the University of Melbourne. Worked abroad at CESVI, an NGO based in Italy, working to raise capital for employment and health programs in developing countries. Currently employed as an auditor at accounting firm Pricewaterhouse Coopers and completing a post graduate diploma in Chartered accounting. Matthias is also co founder of Typethief Pty Ltd.
Chair Marketing & Sponsorship subcommittee
Interest in shares: Nil

Peter Gerard Sheehy
Director & Treasurer
Chartered Accountant
Bachelor of Commerce (Melbourne University), Graduate Diploma of Taxation (Monash University), Chartered Accountant. Involved in Knox Junior Basketball for 16 years. Recently finished in the role as a taxation advisor for Coles Supermarkets.
Chair Audit & Finance subcommittee and Treasurer
Interest in shares: Nil

Adam Dean Nichol
Director & Secretary
Chief Executive Officer
Adam is the CEO of Nichol Industries. Adam is experienced in business growth, acquisitions and business strategy and has a passion for family business. He holds professional memberships of CPA Australia and Australia Institute of Management.
Interest in shares: Nil

Geoffrey William Purves
Director (resigned 18 June 2015)
Retired
Chairman and committee member St Josephs School Board and president and committee member 8th Knox Scout Group. President 57/6012 2nd AIF Battalion. Chairman District Personnel Committee and District Executive deputy chairman for Yarra Ranges Scouts Group rep Knox District Scouts.
Member of HR subcommittee
Interest in shares: 5000 (Joint)

Andy Moutray-Read
Director (appointed 8 December 2014)
Consultant
Andy is past Chairman and current director for Inner West Community Enterprises Limited (Seddon **Community Bank®** Branch). He is an advisor and mentor to the Board on behalf of Bendigo and Adelaide Bank and a current non executive director on the **Community Bank®** Strategic Advisory Board.
Interest in shares: Nil

Directors (continued)

Cassandra Hatton
Director (appointed 29 April 2015)
Cassandra is a professional and passionate leader with a great interest and extensive skill set in Human Resources, Leadership and Culture. In her role as Manager People and Culture she provides leadership and oversight to Human Resources, Learning and Development, WHS, Wellbeing, Volunteers, Pastoral Care and Culture functions. She has worn many hats in her professional career - Leader, Manager, Coach, Advisor, Negotiator, Writer, Researcher, Team member and Strategist.
Chair HR subcommittee
Interest in shares: Nil

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

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

Company Secretary

The company secretary is Adam Dean Nichol. Adam was appointed to the position of Secretary on 8 December 2014.

He is the CEO of Nichol Industries and holds professional memberships of CPA Australia and Australia Institute of

Management. He is experienced in business growth, acquisitions and business strategy.

Principal Activities

The principal activities of the company during the course of the financial year were in 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/(loss) of the company for the financial year after provision for income tax was:

Year ended 30 June 2015 $	Year ended 30 June 2014 $
(34,485)	(48,120)

Remuneration report

(a) Remuneration of directors

No director receives remuneration from the company for services as a company director or Committee Member. However

Andy Moutray-Read received a retainer from Bendigo and Adelaide Bank Limited to attend Board and Committee meetings.

Wantirna Community Financial Services Limited has accepted 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 Wantirna Community Financial Services Limited **Community Bank**® branch. There is no requirement to own Bendigo and Adelaide Bank Limited 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 shareholders. The directors have estimated the total benefits received from the Directors' Privilege Package to be $1000 for the year ended 2015.

Remuneration report (continued)

(a) Remuneration of directors (continued)

For the year ended 30 June 2015, the directors received total benefits of:

	Amount $
Adam Dean Nichol	-
Geoffrey William Purves	-
Matthias Muehlbauer	-
Peter Gerard Sheehy	1,000
Wes Shane Gleeson	-
Robin James Stenzel	-
Cassandra Hatton	-
Andy Moutray-Read	-
Mervyn James Ericson	-
Total	**1,000**

(b) Remuneration of Area and Branch Managers

The board is responsible for the determination of remuneration packages and policies applicable to the branch manager and all the staff. The branch manager is invited to the board meetings as required to discuss performance and remuneration packages.

The board's policy in respect of the branch manager is to maintain remuneration at parity within the **Community Bank®** network and local market rates for comparable roles.

There are no executives who are directly accountable and responsible for the strategic direction and operational management of the entity. This is wholly a board role. There are therefore no specified executives.

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' report (continued)

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 19 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 Attended		Committee Meetings Attended					
			Audit & Finance		Marketing		Human Resources	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Adam Dean Nichol	9	8	2	1	5	2	-	-
Geoffrey William Purves (resigned 18 June 2015)	12	8	-	-	-	-	6	4
Matthias Muehlbauer (resigned 10 November 2014)	4	1	-	-	4	1	-	-
Peter Gerard Sheehy	12	10	9	9	-	-	-	-
Wes Shane Gleeson (resigned 16 September 2014)	2	2	-	-	3	3	-	-
Andy Moutray-Read (appointed 8 December 2014)	7	7	1	1	7	6	6	6
Mervyn James Ericson (appointed 8 December 2014)	5	5	1	1	5	5	4	4
Robin James Stenzel (appointed 25 February 2015)	4	4	-	-	4	2	-	-
Cassandra Hatton (appointed 29 April 2015)	2	1	-	-	-	-	2	2

Directors' report (continued)

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 audit and 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 audit and 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.

Auditors' Independence Declaration

A copy of the auditors' 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 Wantirna, Victoria on 22nd September 2015.

Mervyn James Ericson,
Chairman

Auditor's independence declaration

Partners in success

Chartered Accountants

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

As lead auditor for the audit of Wantirna Community Financial Services Limited for the year ended 30 June 2015, 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

David Hutchings
Lead Auditor

Dated: 22 September 2015

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

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Financial statements

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

	Notes	2015 $	2014 $
Revenues from ordinary activities	4	493,367	469,506
Employee benefits expense		(313,336)	(290,163)
Charitable donations, sponsorship, advertising and promotion		(34,665)	(43,485)
Occupancy and associated costs		(61,677)	(58,983)
Systems costs		(16,672)	(16,569)
Depreciation and amortisation expense	5	(25,048)	(24,988)
Finance costs	5	-	(2)
General administration expenses		(82,131)	(83,301)
Loss before income tax		**(40,162)**	**(47,985)**
Income tax (expense)/credit	6	5,677	(135)
Loss after income tax		**(34,485)**	**(48,120)**
Total comprehensive income for the year		**(34,485)**	**(48,120)**
Earnings per share for loss attributable to the ordinary shareholders of the company:		**c**	**c**
Basic earnings per share	21	(3.74)	(5.22)

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2015

	Notes	2015 $	2014 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	226,184	230,755
Trade and other receivables	8	43,361	43,940
Total Current Assets		**269,545**	**274,695**
Non-Current Assets			
Property, plant and equipment	9	177,285	186,842
Intangible assets	10	39,175	53,040
Deferred tax assets	11	117,103	111,427
Total Non-Current Assets		**333,563**	**351,309**
Total Assets		**603,108**	**626,004**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	31,706	24,856
Provisions	13	24,093	8,510
Total Current Liabilities		**55,799**	**33,366**
Non-Current Liabilities			
Provisions	13	2,684	13,528
Total Non-Current Liabilities		**2,684**	**13,528**
Total Liabilities		**58,483**	**46,894**
Net Assets		**544,625**	**579,110**
Equity			
Issued capital	14	891,225	891,225
Accumulated losses	15	(346,600)	(312,115)
Total Equity		**544,625**	**579,110**

The accompanying notes form part of these financial statements.

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

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2013	**891,225**	**(263,995)**	**627,230**
Total comprehensive income for the year	**-**	**(48,120)**	**(48,120)**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-		-
Balance at 30 June 2014	**891,225**	**(312,115)**	**579,110**
Balance at 1 July 2014	**891,225**	**(312,115)**	**579,110**
Total comprehensive income for the year	**-**	**(34,485)**	**(34,485)**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2015	**891,225**	**(346,600)**	**544,625**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2015

	Notes	2015 $	2014 $
Cash Flows From Operating Activities			
Receipts from customers		487,251	458,552
Payments to suppliers and employees		(496,852)	(506,282)
Interest received		6,657	7,900
Interest paid		-	(2)
Net cash provided by / (used in) operating activities	**16**	**(2,944)**	**(39,832)**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(1,627)	(1,118)
Net cash used in investing activities		**(1,627)**	**(1,118)**
Net decrease in cash held		**(4,571)**	**(40,950)**
Cash and cash equivalents at the beginning of the financial year		230,755	271,705
Cash and cash equivalents at the end of the financial year	**7(a)**	**226,184**	**230,755**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2015

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 and a new interpretation issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2014, and are therefore relevant for the current financial year.

- AASB 2012-3 Amendments to Australian Accounting Standards (AASB 132) – Offsetting Financial Assets and Financial Liabilities.
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.
- AASB 2013-4 Amendments to Australian Accounting Standards (AASB 139) – Novation of Derivatives and Continuation of Hedge Accounting.
- AASB 2013-5 Amendments to Australian Accounting Standards (AASB 10) – Investment Entities.
- AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles).
- AASB 2014-1 Amendments to Australian Accounting Standards (Part B: Defined Benefit Plans: Employee Contributions Amendments to AASB 119).

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

- Interpretation 21 Levies.
- AASB 1031 Materiality, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality), AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality).

None of the amendments to accounting standards or the new interpretation issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2014, 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 2017
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 2016
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 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.	1 July 2015
AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.	1 July 2015
AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

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 2014. Therefore the above mentioned 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 Wantirna, 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.

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; and
- 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.

Note 1. Summary of significant accounting policies (continued)

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefit 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.

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.

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Margin (continued)

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.

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.

Note 1. Summary of significant accounting policies (continued)

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, as determined by the Australian Taxation Office, using the straight line method. The estimated useful lives, residual values and depreciation method is 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.

Note 1. Summary of significant accounting policies (continued)

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.

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) Financial liabilities

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

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

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.

Note 1. Summary of significant accounting policies (continued)

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.

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.

Note 2. Financial risk management (continued)

(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 monitors the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the balance sheet.

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

The distribution limit is the greater of:

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

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2015 can be seen in the Statement of 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.

Note 3. Critical accounting estimates and judgements (continued)

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, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of useful lives of assets

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

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.

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.

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets (continued)

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.

	2015 $	**2014 $**

Note 4. Revenue from ordinary activities

	2015 $	2014 $
Operating activities:		
- services commissions	436,904	412,094
- market development fund	50,000	50,000
Total revenue from operating activities	**486,904**	**462,094**
Non-operating activities:		
- interest received	6,463	7,412
Total revenue from non-operating activities	**6,463**	**7,412**
Total revenues from ordinary activities	**493,367**	**469,506**

Note 5. Expenses

	2015 $	2014 $
Depreciation of non-current assets:		
- plant and equipment	4,751	4,691
- leasehold improvements	6,433	6,433
Amortisation of non-current assets:		
- franchise agreement	2,311	2,311
- franchise renewal fee	11,553	11,553
	25,048	**24,988**
Finance costs:		
- interest paid	**-**	**2**
Bad debts	**715**	**414**

	Note	2015 $	2014 $

Note 6. Income tax credit

	Note	2015 $	2014 $
The components of tax credit comprise:			
- Movement in deferred tax		(1,685)	(1,115)
- Recoup of prior year tax loss		-	(12,572)
- Future income tax benefit attributable to losses		(10,155)	-
- Adjustment to deferred tax to reflect change to tax rate in future periods		6,163	-
- Franking deficit tax offset reduction		-	13,822
		(5,677)	**135**
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense/(credit) as follows:			
Operating loss		(40,162)	(47,985)
Prima facie tax on (loss) from ordinary activities at 30%		(12,049)	(14,395)
Add tax effect of:			
- non-deductible expenses		209	708
- timing difference expenses		1,685	1,115
		(10,155)	**(12,572)**
Movement in deferred tax	11	(1,685)	(1,115)
Adjustment to deferred tax to reflect change to tax rate in future periods		6,163	-
Franking deficit tax offset reduction		-	13,822
		(5,677)	**135**

Note 7. Cash and cash equivalents

	Note	2015 $	2014 $
Cash at bank and on hand		24,317	30,541
Term deposits		201,867	200,214
		226,184	**230,755**
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:			
Note 7.(a) Reconciliation of cash			
Cash at bank and on hand		24,317	30,541
Term deposits		201,867	200,214
		226,184	**230,755**

Notes to the financial statements (continued)

	2015 $	2014 $

Note 8. Trade and other receivables

	2015 $	2014 $
Trade receivables	36,295	36,642
Other receivables and accruals	1,485	1,678
Prepayments	5,581	5,620
	43,361	**43,940**

Note 9. Property, plant and equipment

	2015 $	2014 $
Plant and equipment		
At cost	103,252	101,625
Less: accumulated depreciation	(59,466)	(54,715)
	43,786	**46,910**
Leasehold improvements		
At cost	208,661	208,661
Less: accumulated depreciation	(75,162)	(68,729)
	133,499	**139,932**
Total written down amount	**177,285**	**186,842**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	46,910	50,483
Additions	1,627	1,118
Disposals	-	-
Less: depreciation expense	(4,751)	(4,691)
Carrying amount at end	**43,786**	**46,910**
Leasehold improvements		
Carrying amount at beginning	139,932	146,365
Additions	-	-
Disposals	-	-
Less: depreciation expense	(6,433)	(6,433)
Carrying amount at end	**133,499**	**139,932**
Total written down amount	**177,285**	**186,842**

	2015 $	2014 $

Note 10. Intangible assets

	2015 $	2014 $
Franchise fee		
At cost	21,554	21,554
Less: accumulated amortisation	(18,858)	(16,547)
	2,696	**5,007**
Renewal processing fee		
At cost	57,768	57,768
Less: accumulated amortisation	(44,289)	(32,735)
	13,479	**25,033**
Goodwill	23,000	23,000
Total written down amount	**39,175**	**53,040**

Note 11. Tax

	2015 $	2014 $
Deferred tax assets		
- accruals	3,436	3,232
- employee provisions	8,033	6,611
- tax losses carried forward	112,243	102,088
- adjustment to deferred tax to reflect change to tax rate in future periods	(6,163)	-
	117,549	**111,931**
Deferred tax liability		
- accruals	446	504
Net deferred tax asset	**117,103**	**111,427**
Movement in deferred tax charged to statement of comprehensive income	**(1,685)**	**(1,115)**

Note 12. Trade and other payables

	2015 $	2014 $
Trade creditors	8,137	3,330
Other creditors and accruals	23,569	21,526
	31,706	**24,856**

Note 13. Provisions

	2015 $	2014 $
Current:		
Provision for annual leave	18,627	8,510
Provision for long service leave	5,466	-
	24,093	**8,510**

	2015 $	2014 $
Note 13. Provisions (continued)		
Non-Current:		
Provision for long service leave	**2,684**	**13,528**

Note 14. Contributed equity

921,509 Ordinary shares fully paid (2014: 921,509)	921,509	921,509
Less: equity raising expenses	(30,284)	(30,284)
	891,225	**891,225**

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**® 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.

Prohibited shareholding interest

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

Note 14. Contributed equity (continued)

Prohibited shareholding interest (continued)

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 294. As at the date of this report, the company had 311 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 15. Accumulated losses

	2015 $	2014 $
Balance at the beginning of the financial year	(312,115)	(263,995)
Net loss from ordinary activities after income tax	(34,485)	(48,120)
Dividends paid or provided for	-	-
Balance at the end of the financial year	**(346,600)**	**(312,115)**

	2015 $	2014 $

Note 16. Statement of cash flows

Reconciliation of loss from ordinary activities after tax to net cash used in operating activities

	2015 $	2014 $
Loss from ordinary activities after income tax	(34,485)	(48,120)
Non cash items:		
- depreciation	11,184	11,124
- amortisation	13,864	13,864
Changes in assets and liabilities:		
- (increase)/decrease in receivables	579	(2,781)
- (increase)/decrease in other assets	(5,675)	135
- increase/(decrease) in payables	6,850	(8,926)
- increase/(decrease) in provisions	4,739	(5,128)
Net cash flows used in operating activities	**(2,944)**	**(39,832)**

Note 17. Leases

Operating lease commitments

	2015 $	2014 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	40,066	38,711
- between 12 months and 5 years	10,016	48,388
- greater than 5 years	-	-
	50,082	**87,099**

The rental lease agreement on the branch premises is a non-cancellable lease with a five year term, with rent payable monthly in advance. The current lease expires on 18 September 2016, with options for two further terms of five years each available to be exercised. The second term of the lease has been exercised

Note 18. Auditor's remuneration

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

	2015 $	2014 $
- audit and review services	5,050	5,600
- share registry services	1,750	1,500
- non audit services	-	1,744
	6,800	**8,844**

Note 19. Director and related party disclosures

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

Mervyn James Ericson (appointed 8 December 2014)
Wes Shane Gleeson (resigned 16 September 2014)
Robin James Stenzel (appointed 25 February 2015)
Matthias Muehlbauer (resigned 10 November 2014)
Peter Gerard Sheehy
Adam Dean Nichol
Geoffrey William Purves (resigned 18 June 2015)
Andy Moutray-Read (appointed 8 December 2014)
Cassandra Hatton (appointed 29 April 2015)

No other 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.

	2015	2014
Directors' shareholdings (number of shares held)		
Mervyn James Ericson (appointed 8 December 2014)	-	-
Wes Shane Gleeson (resigned 16 September 2014)	-	-
Robin James Stenzel (appointed 25 February 2015)	-	-
Matthias Muehlbauer (resigned 10 November 2014)	-	-
Peter Gerard Sheehy	-	-
Adam Dean Nichol	-	-
Geoffrey William Purves (resigned 18 June 2015)	5,000	5,000
Andy Moutray-Read (appointed 8 December 2014)	-	-
Cassandra Hatton (appointed 29 April 2015)	-	-

Note 20. 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 21. Earnings per share

		2015 $	2014 $
(a)	Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(34,485)	(48,120)
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	921,509	921,509

Note 22. Events occurring after the balance sheet date

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

Note 23. Contingent liabilities

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

Note 24. Segment reporting

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

Note 25. Registered office/principal place of business

The registered office and principal place of business is:

Registered Office	Principal Place of Business
Shop 5 Wantirna Mall 348 Mountain Highway Wantirna VIC 3152	Shop 5 Wantirna Mall 348 Mountain Highway Wantirna VIC 3152

Note 26. Financial instruments

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 26. Financial instruments (continued)

Interest Rate Risk

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					
	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 %	2014 %
Financial assets												
Cash and cash equivalents	226,184	230,755	-	-	-	-	-	-	-	-	2.87	2.95
Receivables	-	-	-	-	-	-	-	-	36,295	36,642	N/A	N/A
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-	8,137	3,330	N/A	N/A

Directors' declaration

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

In the opinion of the directors:

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

(i) giving a true and fair view of the company's financial position as at 30 June 2015 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.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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

Mervyn James Ericson,
Chairman

Signed on the 22nd of September 2015.

Independent audit report

Partners in success

Chartered Accountants

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

Report on the financial report

We have audited the accompanying financial report of Wantirna Community Financial Services Limited, which comprises the balance sheet as at 30 June 2015, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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

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Independence

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

Auditor's opinion on the financial report

In our opinion:

1. The financial report of Wantirna Community Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2015 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.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Wantirna Community Financial Services Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

David Hutchings
Lead Auditor

Dated: 22 September 2015

Wantirna **Community Bank**® Branch
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348 Mountain Highway, Wantirna VIC 3152
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